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The Conference Board

COMMENT

The index of *Leading Economic Indicators* did not fall in August. Some comfort can be taken from that news since three consecutive declines in this monthly series is sometimes taken as a signal that a recession is developing. Of course, some pundits would quickly point out that this index has forecast nine of the last six recessions. Nevertheless, after declining in both June and July, the leading indicators rose slightly in August—largely on the strength of a spectacular climb in common stock prices. Without that Summer rally in the stock market, the leading indicators would have been unchanged. The fact is that the momentum of the current expansion not only is slowing but has been gradually becoming more narrowly concentrated all year. The Conference Board's *Diffusion Index*, a measure of how widely, or narrowly, the strength of the economy is shared, has been falling since the beginning of 1984. Business investment and the government's defense spending are about the only two segments of the economy now rising sharply. The *Economic Forecasts* indicate that economic growth, which slowed markedly this past Summer, is likely to continue to ease through the first half of 1985. What happens after that, depends heavily on relief from high deficits—budget and trade—high interest rates and a high dollar.

The economic recovery is losing energy because consumer spending, especially on the cyclically-sensitive durable goods, has become noticeably more subdued. Retail sales, adjusted for inflation, were no higher in September than they were in April. And spending on cars, new or old, and car parts are no higher now than they were a year ago. In fact, new, domestic *Automobile Sales* appear to have hit a plateau of about 9 million units at an annual rate in May, June and July. Sales fell off in August as the model year came to a close. They did not recover momentum in September, although that may be partly attributable to problems of getting sufficient quantities of new models into the showrooms.

Consumer spending was quite strong in 1983 and early 1984, despite high borrowing costs, because households were replenishing their stocks of furniture, appliances and cars. Pent-up demand appears to have been largely exhausted by mid-1984, and consumers, now a little more debt-laden, appear to be more sensitive to paying high finance charges. The ratio of *Consumer Installment Debt Expansion to Personal Income* rose to 4% in May—higher than even in late 1978, when many analysts thought that the consumer sector was becoming a bit overextended. The pace of consumer borrowing has slowed in the last few months.

Consumers' attitudes about business conditions remain bullish, but noticeably less ebullient in that appraisal than they were a year ago. The Conference Board's *Consumer Confidence Index* reached a peak of 98.4 (1969-1970 = 100) in January, 1984—higher than it had stood at any time since economic growth began to falter in late 1978. The appraisal of present conditions remains strong. Two years into a new expansion phase of the cycle, however, expectations—of economic growth, more jobs and higher incomes—over the next six months, have begun to ebb. Consumers, having replenished depleted household stocks, are a little less optimistic about continued strong economic growth. Consequently, they are buying at a more moderate pace.

The boom in business investment began to take off just as the surge in consumer demand began to ebb. And capital spending is likely to remain vigorous for months to come. The Conference Board's *Capital Appropriations and Expenditures* survey shows that the nation's 1,000 largest manufacturers expect to increase their capital investment budgets by a sizeable 25% in 1984. They are confident that such rapid buildup in investment is attainable, despite high interest rates, because 80% or more of it will be internally financed—out of retained earnings and liberalized depreciation allowances.

Business is stepping up its procurement of new plant and equipment in order to relieve the buildup of pressure on production capacity. Manufacturers have had difficulty in the past trying to operate above 80 to 85% of capacity for any length of time. Utilization rates quickly returned to near-full capacity in the current expansion. The operating rate for advanced-processing industries first reached 80% in October, 1983—just about one year into recovery. It reached 82.2% in February, 1984, and has remained close to that mark ever since.

The rise in consumer demand began to taper off in the first half of 1984, but business investment in plant and equipment, and inventory, as well as government demand, especially defense-related spending, was quite strong. The consequence of rising demand in the midst of manufacturers' limited ability to step up production has been a continuous escalation of domestic needs being met by foreign production. Imports have been flooding U.S. markets, creating an ever-widening balance-of-trade deficit.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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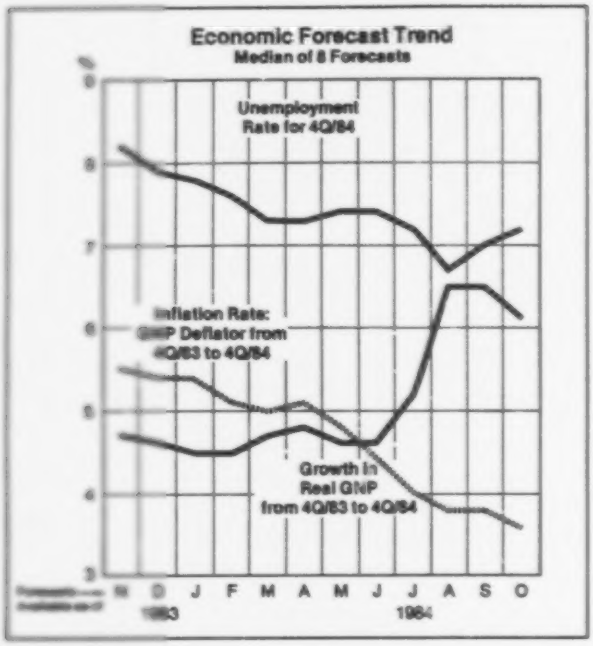


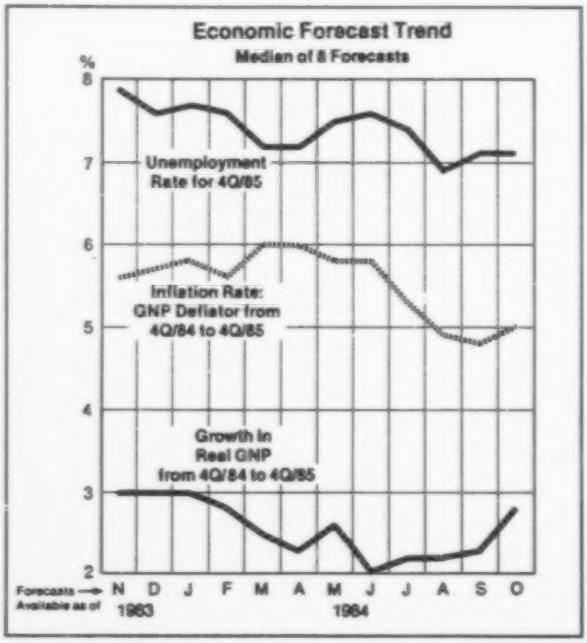
In the early stage of recovery the enormous stimulative impact of fiscal policy propelled the economy out into the fast track. The Conference Board's estimate of *Fiscal Thrust*—the initial impact of the Federal Government budget on economic activity—shows that policy remains very stimulative. The capacity utilization rates, however, indicate that domestic producers have a limited amount of idle resources that can be quickly brought on stream. Of necessity, then, they are investing heavily to increase production capacity. Given the lag between ordering new plant and equipment and its deployment, imports are now benefitting from the stimulative fiscal policy.

Growth in consumer loan demand has slowed a notch and business is relying heavily on internal sources of funds. Nevertheless, the combined credit demand of consumers, business and the Federal Government remains substantial. Given the slow growth of money supply—see the *Money Supply and Monetary Targets* chart—the financial market has been forced to search high and low for loanable funds. Savers are enjoying a high rate of return. Foreign capital continues to flow into the domestic market, driving the dollar ever higher. The consequences of stimulating an already fast-paced expansion, given a relatively restrictive monetary policy, include high interest rates and dollar appreciation.

Slow money growth, high interest rates, an overvalued dollar and a growing trade deficit work in concert to restrain economic growth. And the *Economic Forecasts* indicate that they are beginning to take their toll. Real GNP grew at a seasonally adjusted 3½% annual rate in the third quarter of 1984, sharply lower than the growth rate enjoyed earlier this year. The *Economic Forecasts* indicate that real output growth will continue at this slower pace through mid-1985, but then slow to only about a sluggish 2 to 2½% pace from the third quarter of 1985 through the third quarter of 1986 (last quarter in the forecast horizon). Two of the forecasts, including The Conference Board's own model, show two consecutive quarters of outright decline in real GNP will be experienced in this time frame.

Slower economic growth implies that the two-year record of rapid gains in employment is over. The unemployment rate declined from 10.7% in November, 1982, to 7.5% in May. Since then, however, it has been virtually unchanged—at last reading, it was 7.4% in September. Labor market conditions are likely to remain sluggish at best for some time to come. The Conference Board's *Help-wanted Index* reached 138 (1967 = 100) in July but then fell ten points in August. Early returns suggest that this measure of labor demand failed to recover any of that lost ground in September. The *Economic Forecasts* indicate that the unemployment rate may only improve to 7% by the second quarter of 1985, but then remain at that level, or even rise a little, through the forecast horizon. The more pessimistic forecasts indicate that unemployment may not fall below its current level and begin to climb early next year, perhaps back to an 8% level.

Ken Goldstein
October 9, 1984

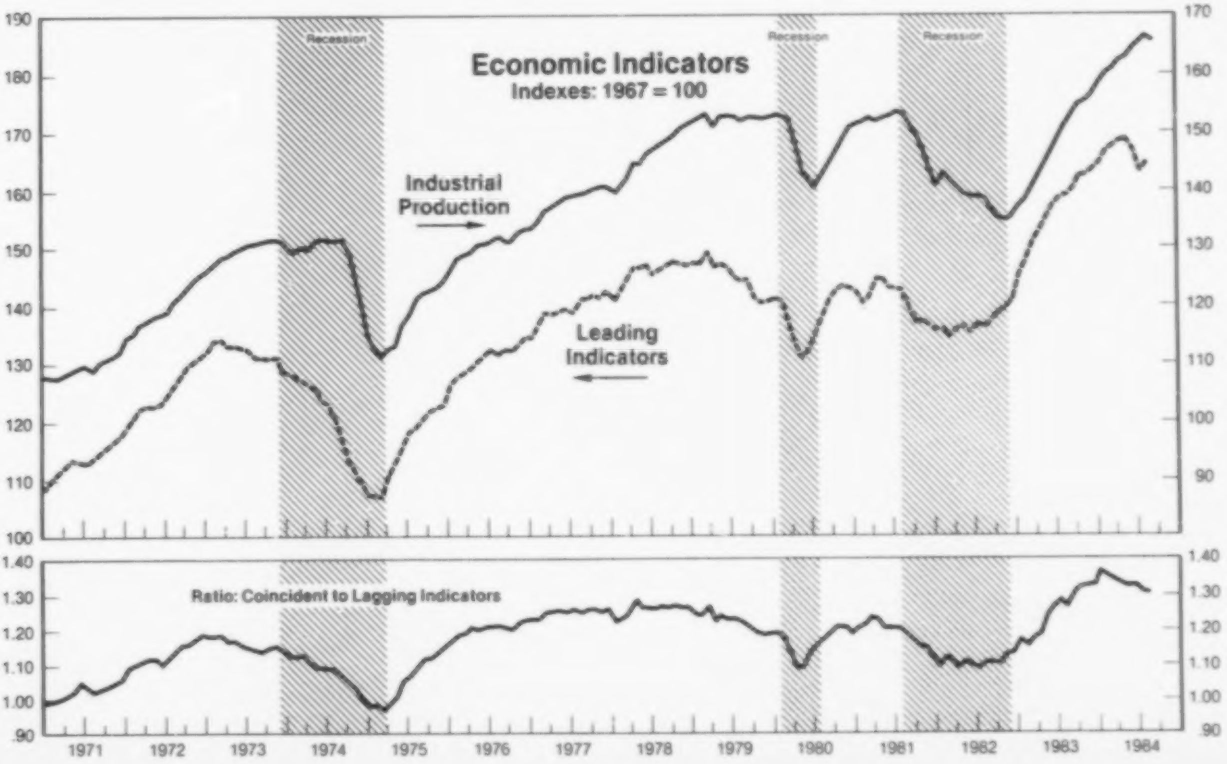


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.			X	— 2.4%	+ 3.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.			X	—12.4%	+ 10.0%
New orders, nondefense capital goods (deflated)	Aug.			X	—12.0%	+ 12.2%
*New business formation	Aug.		X		+ 2.2%	+ 3.1%
*Housing permits	Aug.			X	—13.9%	— 9.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.		X		— 1.4%	+ 7.7%
*Change in inventory, on hand & order (deflated)	July			X	—16.7%	+ 11.9%
Purchasing agents' buying policy	Sept.		X		+ 2 %	+ 7 %
*Vendor performance, reported slower deliveries	Aug.			X	—16 %	— 7 %
Industrial raw materials prices	Sept.			X	— 4.1%	+ 2.5%
*Change in sensitive material prices	Aug.			X	— 1.3%	— 2.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.		X		+ 0.5%	+ 2.9%
Change in business loans	Aug.			X	—20.3%	+ 46.4%
*Change in credit outstanding	July			X	— 6.1%	+ 6.0%
Change in consumer installment debt	July		X		+ 8.4%	+ 40.8%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	— 1.0%	+ 19.4%
*Common stock prices	Sept.	X			+ 8.1%	— 1.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sept.			X	— 0.3hr	— 0.4hr
*Initial unemployment claims (inverted)	Sept.		X		— 3.7%	+ 6.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



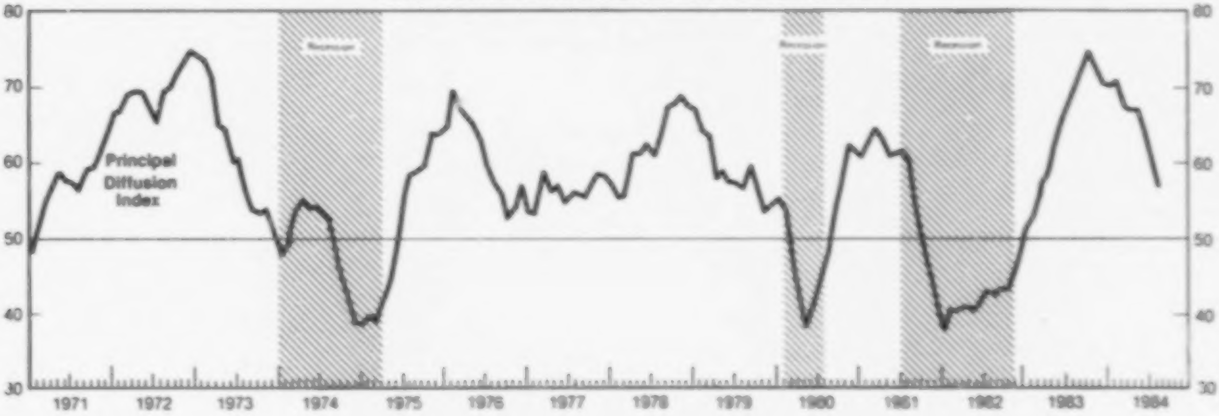
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Aug.	1984 May	 June	 July	 Aug.(e)
Principal Diffusion Index	69.5	67.1r	64.1r	60.0r	56.6
Auxiliary Diffusion Index	44.7	50.0r	40.3r	36.6r	39.1
Industrial Group	73.1	68.7	68.1r	64.7r	62.6
Nonindustrial Group	65.8	65.5r	60.1r	55.3r	50.6
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	79.9	56.2	59.0r	59.4r	65.4
Labor	71.7	75.4	73.8	65.0	61.8
Miscellaneous	66.7	70.5	67.3	71.8	60.3
Nonindustrial Subgroups					
Prices	68.6	68.7	56.4	46.8	46.2
Consumer	71.8	76.9	75.6	69.7r	63.7
Building	59.6	63.5	61.5	59.6r	50.0
Miscellaneous	62.0	54.7r	46.2r	43.6	41.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 *Feb.*	 *May*	 *Aug.*	 *Nov.*	*1983* *Feb.*	 *May*	 *Aug.*	 *Nov.*	*1984* *Feb.*	 *May*	 *Aug.*
					Score (scale 0-100)						
Measure of Business Confidence	47	52	55	60	70	76	75	74	70	65	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	23	30	38	44	65	76	82	80	76	75	70
2. Expectations for Economy, Six Months Ahead	59	64	65	70	76	78	74	73	67	60	57
Expectations for Own Industry, Six Months Ahead	58	61	61	65	70	72	69	70	67	61	57

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1982	1983				1984		Percent Change From Previous Year		
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	21.480	20.072	20.874	22.875	24.262	26.836	37.092	-18	1	20
Capital expenditures	22.887	19.108	18.664	18.244	19.560	19.905	21.882	-3	-23	25
Change in appropriations backlog*	-3.395	-1.160	+0.982	+1.988	+0.928	+5.152	+13.764			
Durable Goods										
New appropriations	8.230	8.130	9.293	9.119	11.024	13.682	21.153	-24	17	10
Capital expenditures	8.949	7.942	7.717	7.667	8.727	8.714	9.895	-7	-19	31
Change in appropriations backlog*	-1.351	-0.676	+0.887	+1.466	+0.819	+4.057	+10.919			
Nondurable Goods										
New appropriations	13.250	11.942	11.581	13.756	13.238	13.154	15.939	-14	-9	27
Capital expenditures	13.938	11.166	10.947	10.577	10.833	11.191	11.987	0	-26	21
Change in appropriations backlog*	-2.044	-0.484	+0.095	+0.522	+0.109	+1.095	+2.845			
ELECTRIC & GAS UTILITIES										
New appropriations	9.939	7.684	6.713	5.771	7.200	5.338p				
Capital expenditures	9.384	9.041	9.292	9.043	8.386	8.703p				
Change in appropriations backlog*	-4.709	-4.812	-7.024	-3.925	-3.758	-4.832p				

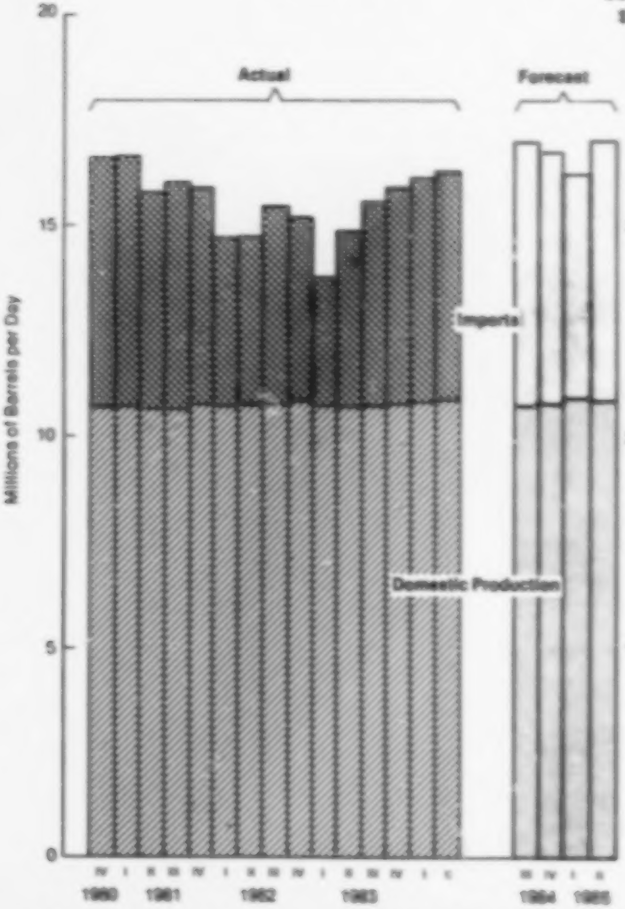
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

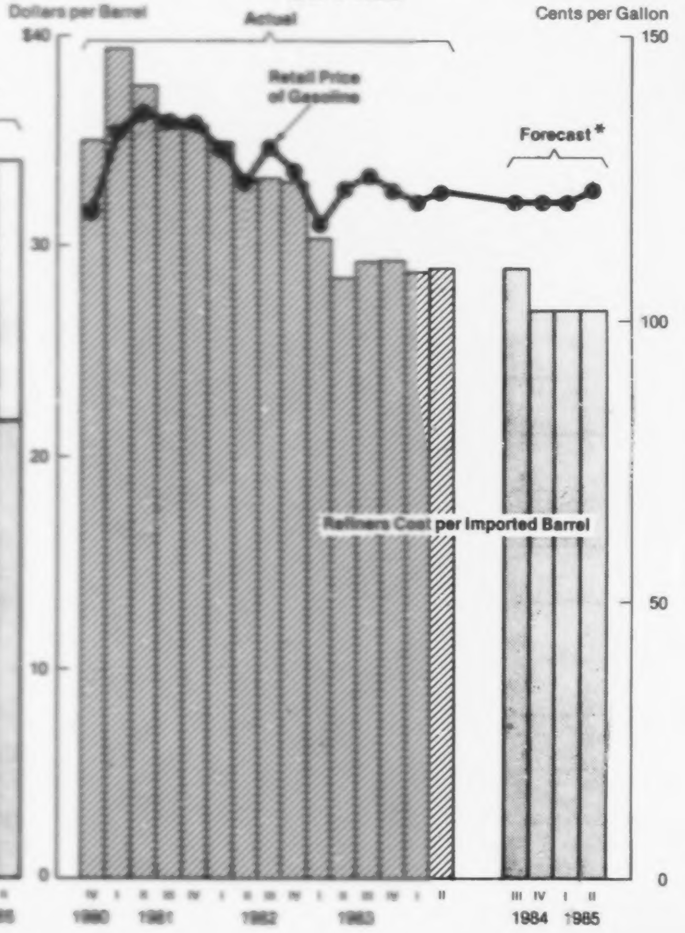
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



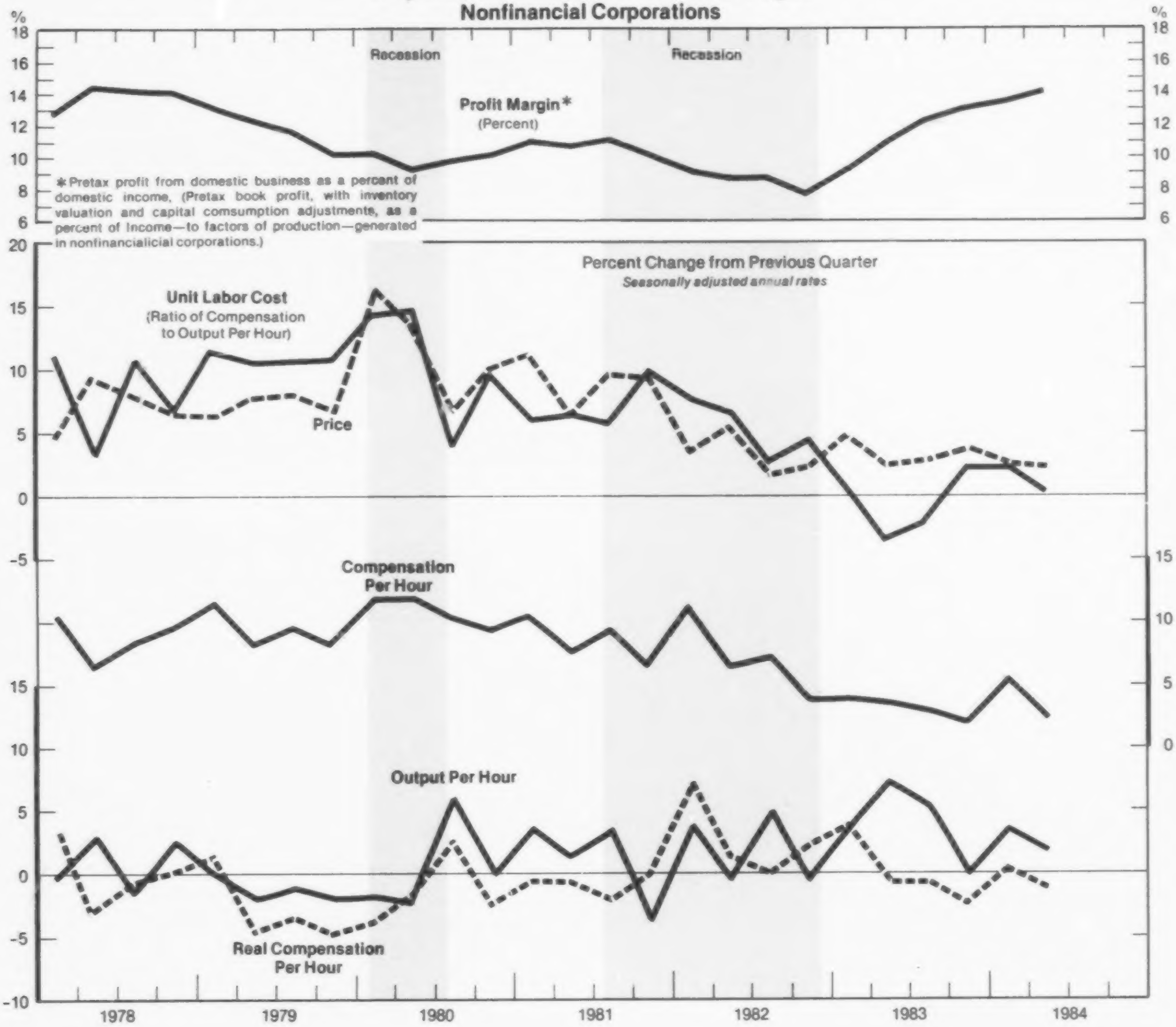
Oil Price



*Source of Forecast is The Energy Information Administration, Department of Energy.

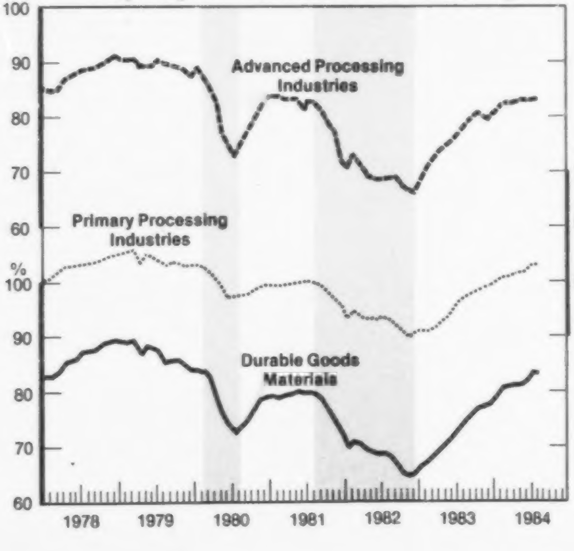
Key Determinants of Profit Margin

Nonfinancial Corporations

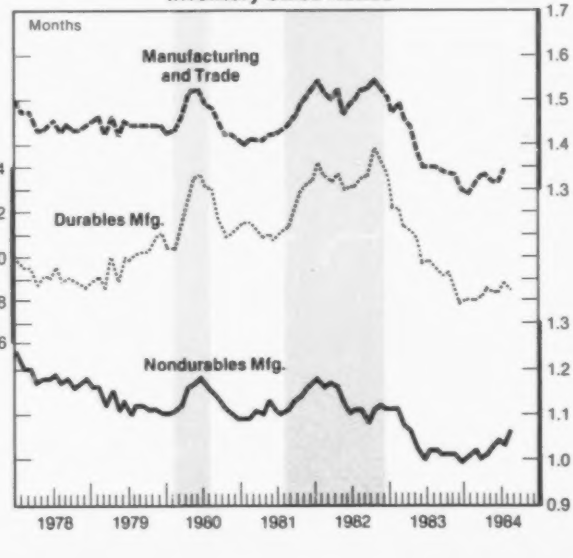


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*Sept., 1984*		*Sept., 1984*		*Sept., 1984*		*Sept., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**II**	**$3644.7**	**10.7%**	**$3644.7**	**10.7%**	**$3644.7**	**10.7%**	**$3644.7**	**10.7%**
		III	3705.9	6.9	3703.0	6.6	3702.7	6.5	3707.2	7.0
		IV	3775.7	7.7	3784.1	9.1	3758.4	6.2	3782.4	8.4
	1985	I	3855.2	8.7	3855.3	7.7	3823.6	7.1	3871.1	9.7
		II	3915.6	6.4	3933.7	8.4	3923.1	10.8	3961.3	9.7
		III	3986.5	7.4	3977.8	4.6	4021.6	10.4	4049.3	9.2
		IV	4072.7	8.9	4053.0	7.6	4121.3	10.3	4137.1	9.0
	1986	I	4163.5	9.2			4205.5	8.4	4219.6	8.2
		II	4262.3	9.8			4301.9	9.5	4289.9	6.8
		III	4371.3	10.6			4369.2	6.4	4371.0	7.8
	1984	Annual	3669.9	11.0	3671.3	11.1	3664.8	10.9	3671.9	11.1
	1985	Annual	3957.5	7.8	3955.0	7.7	3972.4	8.4	4004.7	9.1
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**II**	**$1638.8**	**7.1%**	**$1638.8**	**7.1%**	**$1638.8**	**7.1%**	**$1638.8**	**7.1%**
		III	1653.0	3.5	1649.2	2.6	1653.0	3.5	1653.0	3.5
		IV	1671.9	4.7	1667.4	4.5	1663.0	2.4	1666.9	3.4
	1985	I	1689.0	4.2	1678.5	2.7	1677.0	3.4	1683.3	4.0
		II	1699.4	2.5	1693.8	3.7	1702.0	6.1	1696.7	3.2
		III	1712.9	3.2	1692.7	-0.3	1726.0	5.8	1709.3	3.0
		IV	1729.2	3.9	1702.8	2.4	1750.0	5.7	1719.9	2.5
	1986	I	1744.8	3.7			1767.0	3.9	1726.7	1.6
		II	1763.8	4.4			1785.0	4.1	1728.9	.5
		III	1786.0	5.1			1787.0	.4	1733.6	1.1
	1984	Annual	1643.6	7.1	1641.6	7.0	1641.4	7.0	1642.4	7.0
	1985	Annual	1707.6	3.9	1692.0	3.1	1713.8	4.4	1702.3	3.6
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**II**	**222.4**	**3.3%**	**222.4**	**3.3%**	**222.4**	**3.3%**	**222.4**	**3.3%**
		III	224.2	3.3	224.5	3.9%	224.0	2.9	224.3	3.4
		IV	225.8	3.0	226.9	4.4	226.0	3.6	226.9	4.8
	1985	I	228.3	4.4	229.7	4.9	228.0	3.6	230.0	5.5
		II	230.4	3.8	232.2	4.5	230.5	4.5	233.5	6.2
		III	232.7	4.1	235.0	4.8	233.0	4.4	236.9	6.0
		IV	235.5	4.9	238.0	5.2	235.5	4.4	240.5	6.3
	1986	I	238.6	5.4			238.0	4.3	244.4	6.5
		II	241.7	5.2			241.0	5.1	248.1	6.3
		III	244.8	5.2			244.5	5.9	252.1	6.6
	1984	Annual	223.3	3.7	223.6	3.9	223.2	3.7	223.5	3.8
	1985	Annual	231.7	3.8	233.7	4.5	231.8	3.8	235.2	5.2
Unemployment Rate										
Actual	**1984**	**II**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
		III	7.4		7.5		7.4		7.5	
		IV	7.1		7.1		7.2		7.3	
	1985	I	7.0		7.1		6.9		7.2	
		II	6.9		7.3		6.8		7.1	
		III	6.9		7.5		6.5		7.0	
		IV	6.9		7.5		6.4		7.0	
	1986	I	6.9				6.4		7.1	
		II	6.8				6.3		7.3	
		III	6.6				6.5		7.6	
	1984	Annual	7.5		7.5		7.5		7.5	
	1985	Annual	6.9		7.4		6.7		7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (2nd revision) second quarter data.

ECONOMIC FORECASTS (continued)

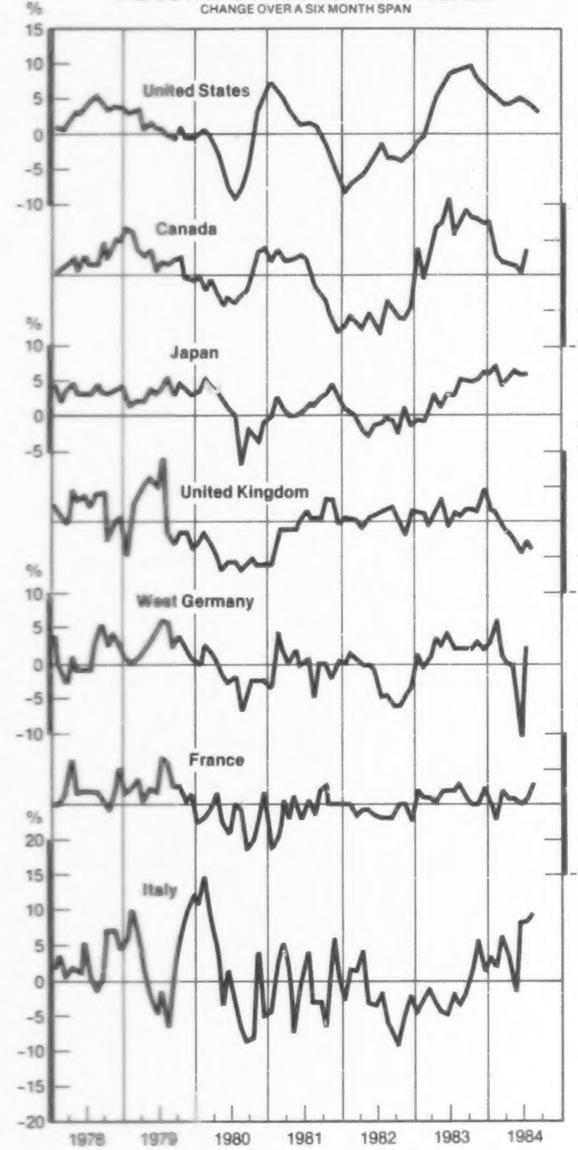
The Conference Board[1]		Chase Econometric Associates, Inc[1].		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Sept., 1984		*Sept., 1984*		*Sept., 1984*		*Sept., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3644.7	**10.7%**	**$3644.7**	**10.7%**	**$3644.7**	**10.7%**	**$3644.7**	**10.7%**	**II**	**1984**	**Actual**
3704.0	6.7	3712.6	7.7	3705.7	6.9	3702.9	6.5	III		
3768.0	7.1	3786.9	8.2	3773.0	7.5	3776.3	8.2	IV		
3840.0	7.9	3865.3	8.5	3842.1	7.5	3868.1	10.1	I	1985	
3876.0	3.8	3938.9	7.8	3886.7	4.7	3952.8	9.1	II		
3922.0	4.8	4000.8	6.4	3931.8	4.7	4032.3	8.3	III		
4023.0	10.7	4078.4	8.0	3986.6	5.7	4109.5	7.9	IV		
		4154.7	7.7	4052.8	6.8	4181.8	7.2	I	1986	
		4238.0	8.3	4129.7	7.8	4226.2	4.3	II		
		4328.9	8.9	4215.8	8.6	4269.7	4.2	III		
3667.5	11.0	3674.4	11.2	3669.2	11.0	3669.3	11.0	Annual	1984	
3915.3	6.8	3970.9	8.1	3911.8	6.6	3990.7	8.8	Annual	1985	
								Gross National Product Billions of Constant (1972) Dollars		
$1638.8	**7.1%**	**$1638.8**	**7.1%**	**$1648.8**	**7.1%**	**$1638.8**	**7.1%**	**II**	**1984**	**Actual**
1653.4	3.6	1652.2	3.3	1652.9	3.5	1653.2	3.6	III		
1667.3	3.4	1668.7	4.1	1668.4	3.8	1670.3	4.2	IV		
1681.0	3.3	1683.1	3.5	1681.1	3.1	1689.3	4.6	I	1985	
1676.9	-1.0	1694.2	2.7	1684.9	.9	1706.1	4.0	II		
1676.4	-0.1	1699.3	1.2	1688.8	.9	1718.0	2.8	III		
1697.8	5.2	1707.3	1.9	1693.6	1.1	1726.9	2.1	IV		
		1716.3	2.1	1702.4	2.1	1730.4	.8	I	1986	
		1730.8	3.4	1715.5	3.1	1725.6	-1.1	II		
		1745.4	3.4	1731.6	3.8	1722.9	-0.6	III		
1642.6	7.0	1642.6	7.0	1642.8	7.0	1643.3	7.1	Annual	1984	
1683.0	2.5	1696.0	3.2	1687.1	2.7	1710.1	4.1	Annual	1985	
								Gross National Product deflator index, 1972 = 100		
222.4	**3.3%**	**222.4**	**3.3%**	**222.4**	**3.3%**	**222.4**	**3.3%**	**II**	**1984**	**Actual**
224.0	3.0	224.7	4.2	224.2	3.3	224.0	2.9	III		
226.0	3.6	226.9	4.0	226.1	3.5	226.1	3.8	IV		
228.4	4.4	229.7	4.9	228.5	4.3	229.0	5.2	I	1985	
231.1	4.8	232.5	5.0	230.7	3.8	231.7	4.8	II		
234.0	5.0	235.4	5.2	232.8	3.8	234.7	5.3	III		
237.0	5.2	238.9	6.0	235.4	4.5	238.0	5.7	IV		
		242.1	5.5	238.1	4.6	241.7	6.4	I	1986	
		244.9	4.7	240.7	4.6	244.9	5.5	II		
		248.0	5.3	243.5	4.6	247.8	4.8	III		
223.2	3.7	223.7	3.9	223.3	3.7	223.3	3.7	Annual	1984	
232.6	4.2	234.1	4.7	231.9	3.8	233.3	4.5	Annual	1985	
								Unemployment Rate		
7.5%		**7.5%**		**7.5%**		**7.5%**		**II**	**1984**	**Actual**
7.5		7.4		7.4		7.4		III		
7.4		7.1		7.2		7.2		IV		
7.4		6.9		7.1		6.9		I	1985	
7.7		6.9		7.2		6.6		II		
7.9		7.0		7.4		6.3		III		
7.6		7.2		7.5		6.3		IV		
		7.2		7.7		6.7		I	1986	
		7.1		7.8		6.9		II		
		6.9		7.7		7.2		III		
7.6		7.5		7.5		7.5		Annual	1984	
7.7		7.0		7.3		6.5		Annual	1985	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

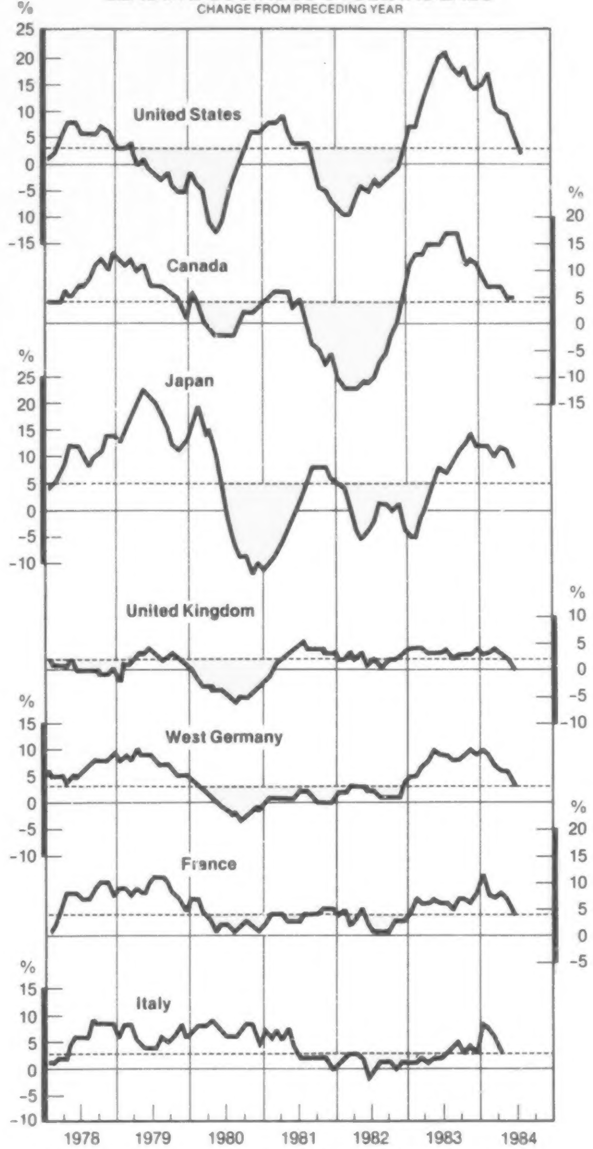
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



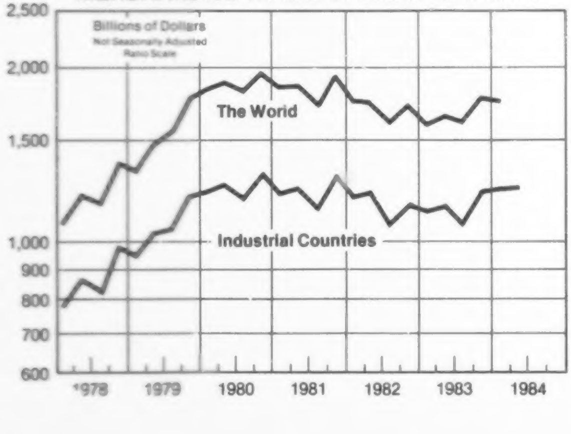
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

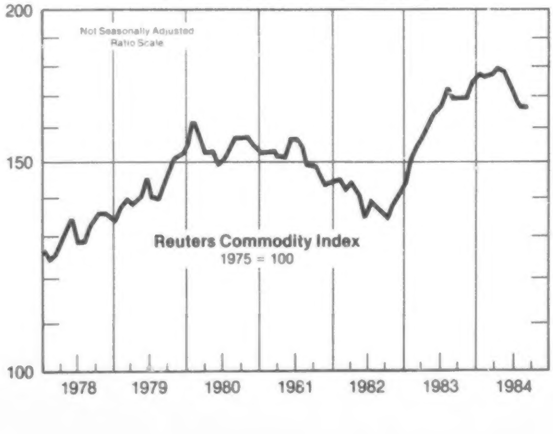


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

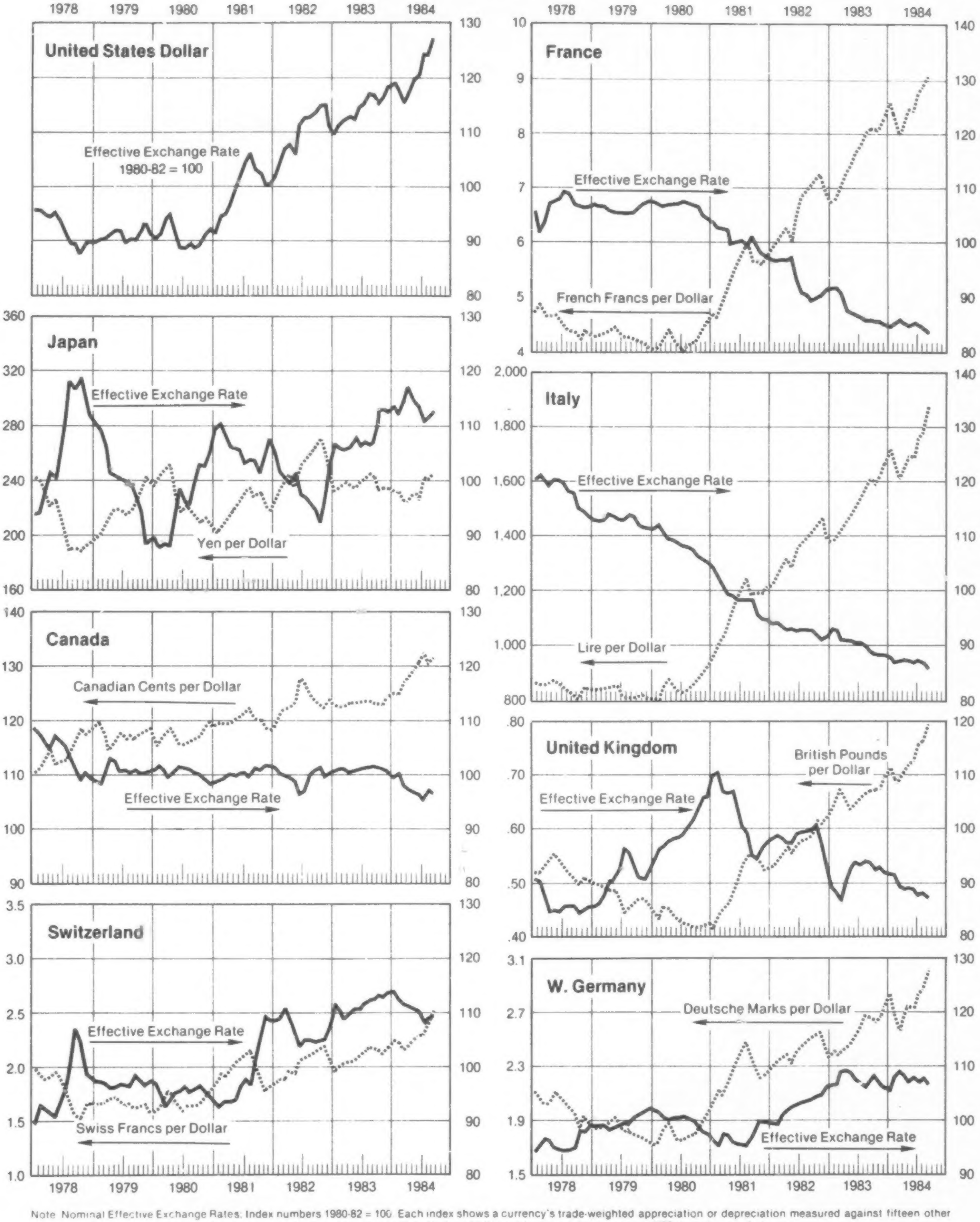


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



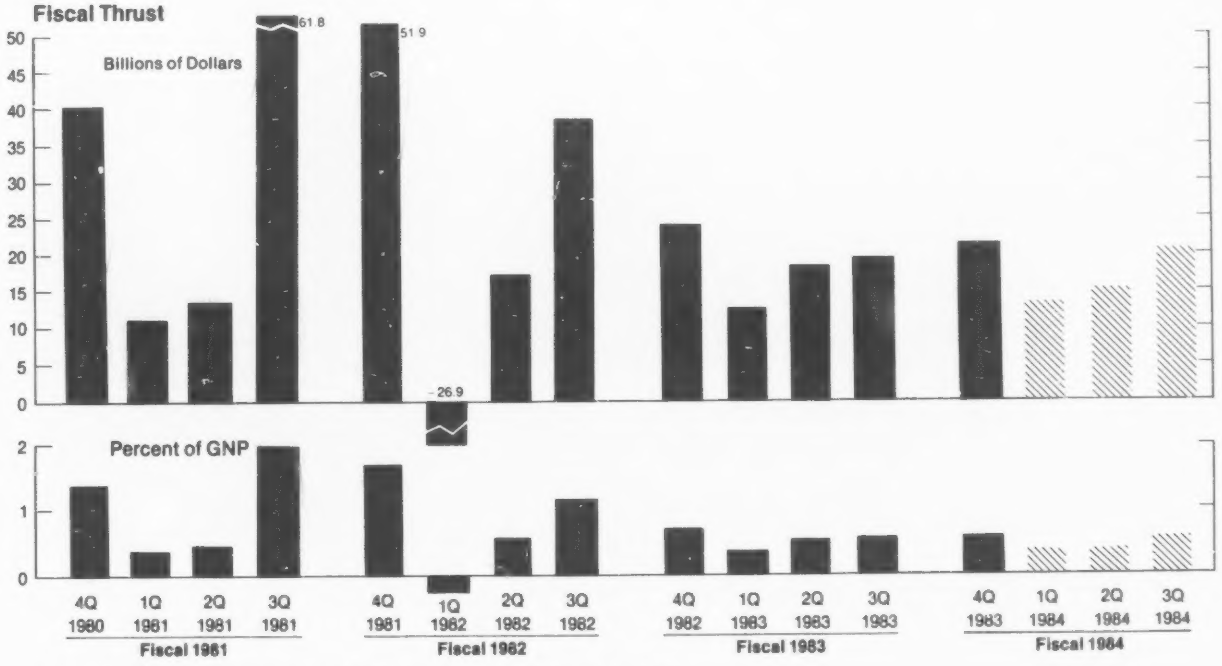
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

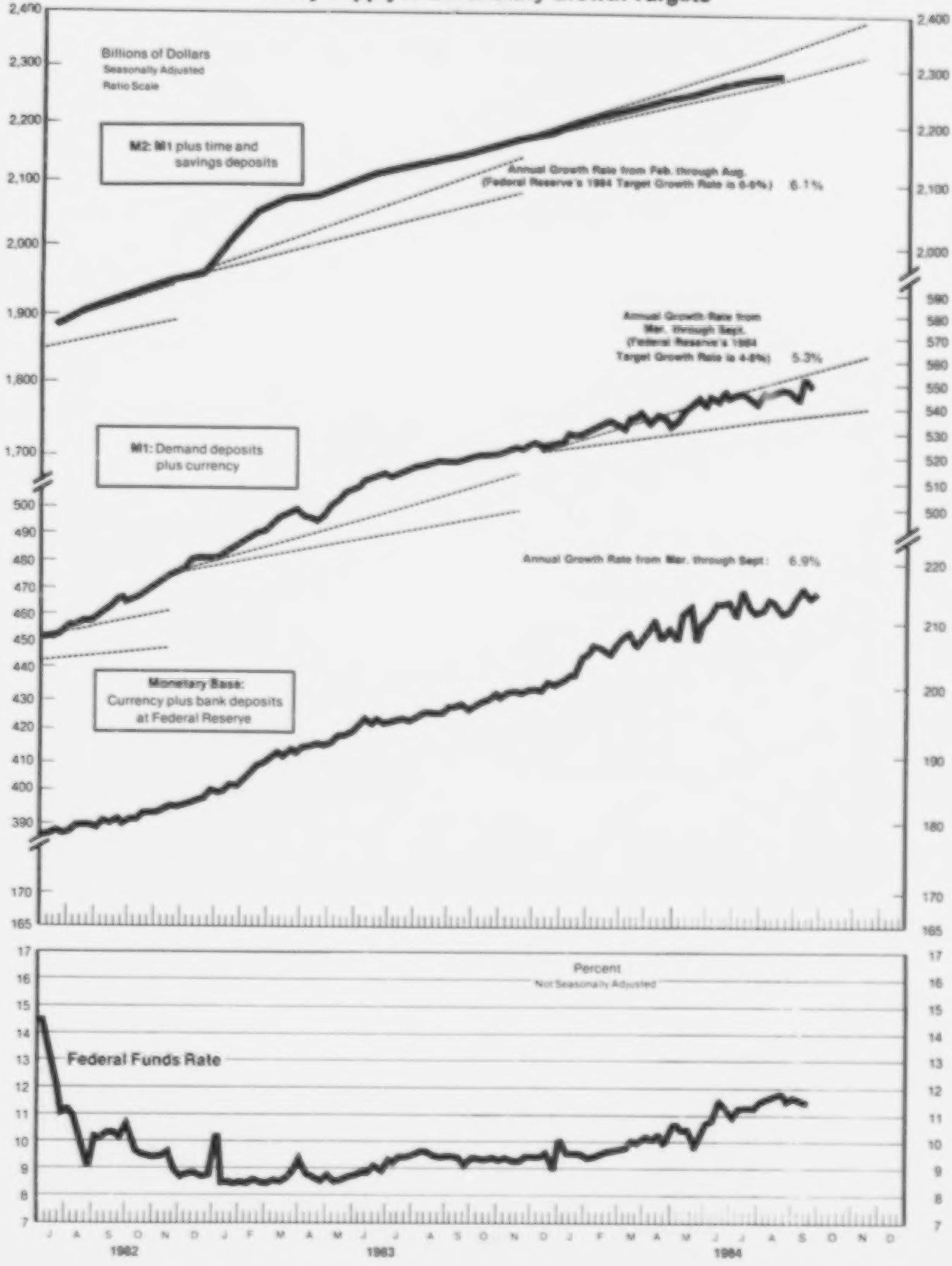
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(8/14/84)	(9/25/84)	(2/1/84)	(8/14/84)	(9/25/84)
Receipts	**600.6**	**670.7**	**672.9**	**737.3**	**763.8**	**750.9**
Outlays	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
Deficit	**-195.0**	**-174.3**	**-172.7**	**-207.7**	**-166.9**	**-181.2**
Receipts by source	**600.6**	**670.7**	**672.9**	**737.3**	**763.8**	**750.9**
Individual income taxes	288.9	299.5		323.4	341.8	
Corporate income taxes	37.0	59.0		75.5	74.3	
Social insurance	209.0	241.2		269.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
National defense	209.9	233.6	230.4	284.4	266.2	262.9
Social security and medicare	223.3	237.8	}274.8	261.4	258.1	254.1
Income security	122.2	95.2		116.9	110.3	111.7
Health	28.7	30.6	89.4	34.4	33.8	34.2
Education and manpower	26.6	28.2	28.0	29.0	29.4	29.9
Transportation	21.4	25.1	24.9	27.4	26.9	27.1
Veterans' benefits	24.8	25.9	25.9	26.6	26.7	26.4
International affairs	9.0	12.6	12.3	14.1	17.2	16.5
Agriculture	22.2	10.2	11.8	14.3	15.1	16.4
National resources and environment	12.7	12.2	12.3	11.8	11.6	12.0
General science	7.7	8.2	8.3	8.4	8.7	8.6
Community development	6.9	7.3	7.3	7.7	7.7	8.2
Revenue sharing	6.5	6.7	6.8		6.5	6.5
Justice	5.1	5.9	5.9	6.2	6.2	6.1
General government	4.8	5.3	5.1	5.7	5.6	5.6
Energy	4.0	2.4	2.5	3.4	2.8	4.1
Commerce and housing credit	4.4	4.6	4.4	1.6	0.3	2.0
Interest	89.8	109.4	111.1	117.9	130.2	133.8
Allowances			0.6	1.5	1.0	- 0.7
Undistributed offsetting receipts	-34.0	-16.2	-16.0	-34.6	-33.8	-33.2

Sources: Office of Management and Budget; Congressional Budget Office.



Note The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980

Money Supply and Monetary Growth Targets



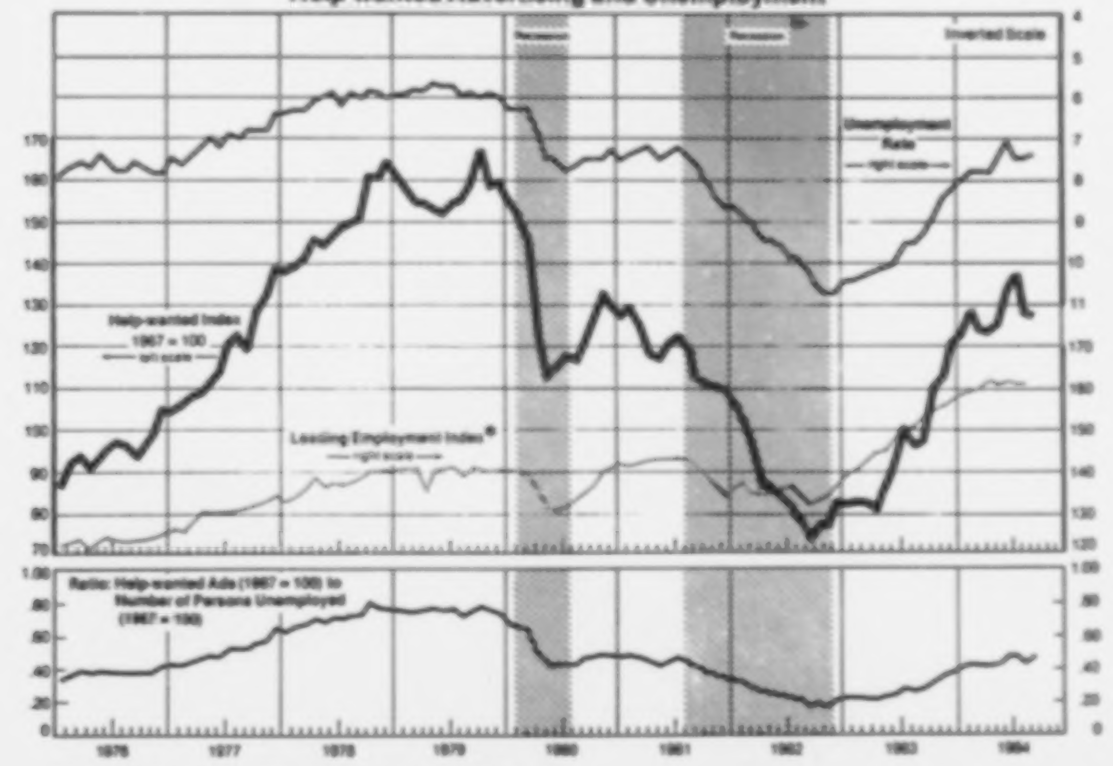
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Aug.	July	June	Aug.
Total Index 51 papers	128	138	134	97
New England	148	155	150	103
Boston	155	171	164	114
Hartford	157	151	149	104
Providence	106	106	103	84
Middle Atlantic	60	68	64	50
Albany	95	140	136	90
Allentown	150	202	161	104
New York	52	56	54	46
Philadelphia	53	64	56	46
Pittsburgh	55	63	57	45
Rochester	73	76	78	50
Syracuse	106	113	110	69
East North Central	79	85	80	50
Chicago	102	105	101	49
Cincinnati	85	116	107	73
Cleveland	55	63	56	40
Columbus	102	111	105	76
Dayton	63	67	68	46
Detroit	49	55	52	36
Gary	103	89	99	80
Indianapolis	78	84	70	57
Milwaukee	52	57r	52	37
Toledo	85	86	87	69
West North Central	88	84r	87	57
Kansas City	146	114	119	82
Minneapolis	66	78	79	45
Omaha	131	124	115	100
St. Louis	NA	62r	69	43
South Atlantic	148	158	161	114
Atlanta	254	293	292	186
Baltimore	111	93	114	89
Charlotte	134	144	139	103
Jacksonville	192	188	197	164
Miami	78	82	81	75
Richmond	92	108	111	66
Washington, D.C.	146	160	158	109
East South Central	118	136	130	94
Birmingham	129	142	141	101
Knoxville	191	190	181	150
Louisville	72	77	79	50
Memphis	86	111	113	86
Nashville	155	200	188	115
West South Central	266	299	299	219
Dallas	362	422	440	291
Houston	333	369	354	276
New Orleans	125	141	141	117
Oklahoma City	160	174	176	131
San Antonio	195	208	210	159
Tulsa	156	167	174	115
Mountain	292	321	308	203
Denver	205	229	213	160
Phoenix	377	415	430	255
Salt Lake City	340	367	319	212
Pacific	187	192	185	147
Los Angeles	145	153	143	119
Sacramento	304	313	293	225
San Bernardino	151	188	149	114
San Diego	380	391	385	272
San Francisco	200	194	188	152
Seattle	190	172	179	162
Percentage of papers with rising volume	18%	63%	82%	27%
Unemployment rate	7.5%	7.5%	7.1%	9.5%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

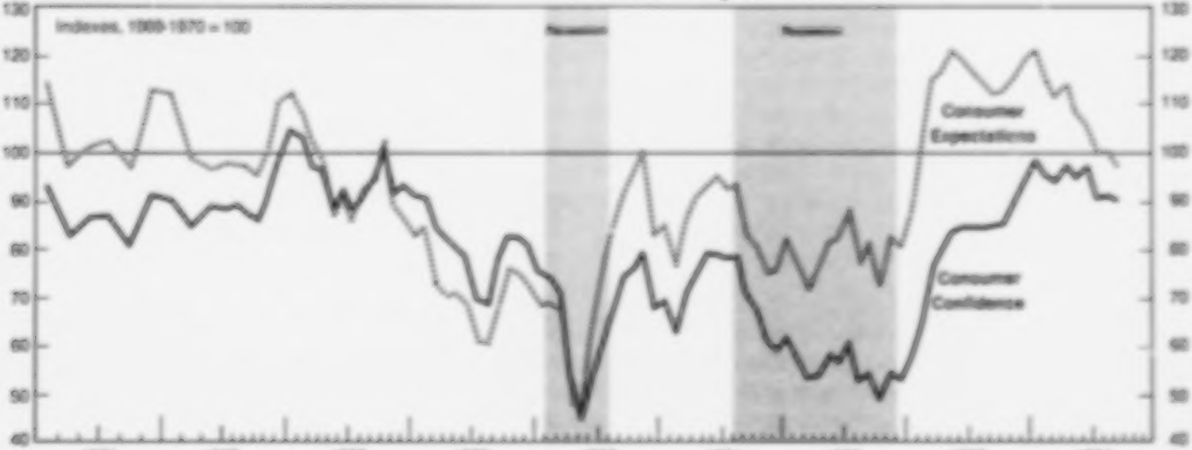
	Jan	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9r	90.4p			
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	88.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6r	89.6p			

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

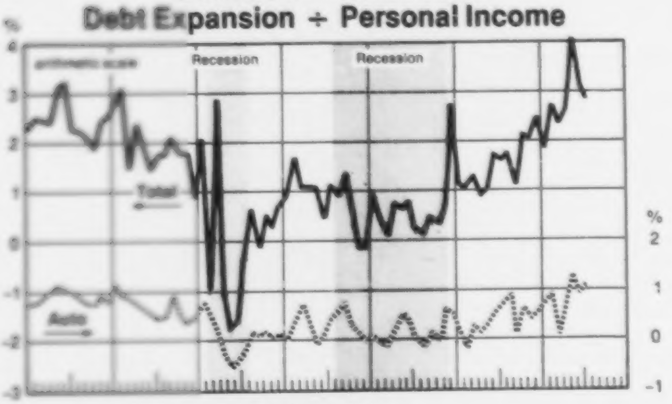
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

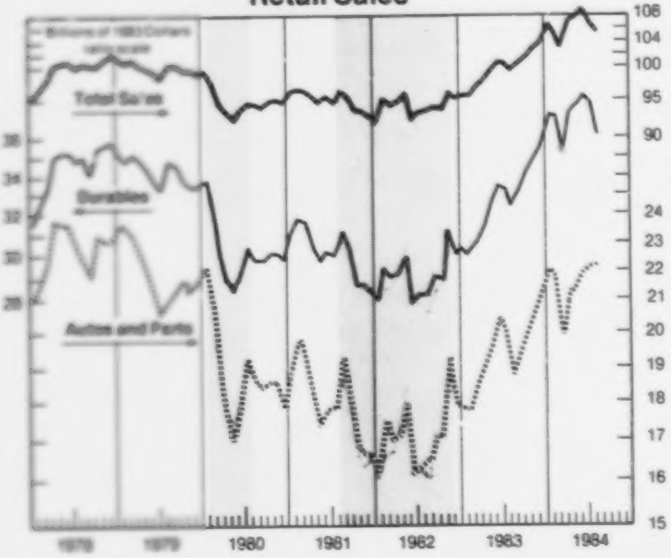
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



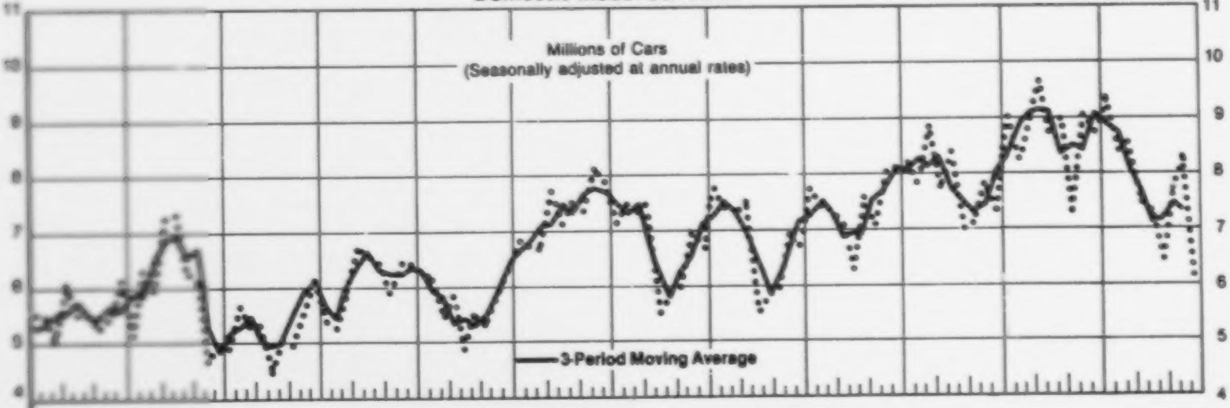
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

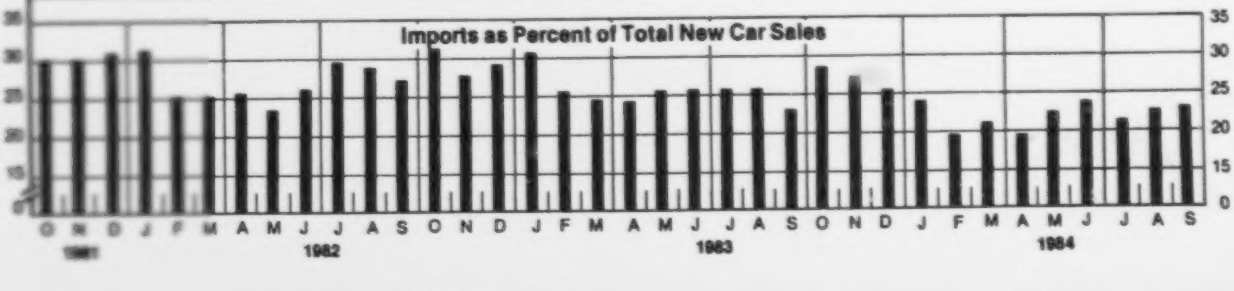
Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	8.39
	21-31	5.89	5.30	7.37	8.53
August:	1-10	7.31	5.35	7.51	7.45
	11-20	6.98	4.52	5.53	7.30
	21-31	7.49	5.05	5.88	6.47
September:	1-10	6.88	4.93	5.98	7.76
	11-20	5.73	6.54	6.99	8.25
	21-30	6.36	6.19	6.64	6.12
October:	1-10	5.29	5.40	7.78	
	11-20	5.27	5.25	7.40	
	21-31	5.43	5.80	7.31	
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 17, No. 11, November, 1984

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The Conference Board

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STATISTICAL REFERENCE INDEX
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BETHESDA, MD 20814

COMMENT

The economic expansion has now passed its second anniversary and its middle-aged spread is beginning to be noticeable. Bred in an environment of fiscal stimulus and monetary restriction, the recovery grew sharply but unevenly. Middle-aged expansions tend to develop bad cases of rising inflation. That hasn't, isn't, and is generally not expected to develop in this instance. On the other hand, the unholy trio of high interest rates, high trade deficits, and the high value of the dollar is restricting the pace of expansion. Indeed, the economy is now growing not much faster than the labor force and the *Economic Forecasts* indicate that the pace of activity will not accelerate through the forecast horizon (fourth quarter of 1986). In short, 1983 and 1984 were two very good years. The more mature expansion of the next two years is not expected to match the pace set in its youthful days.

A strong consumer-led recovery, spurred by the stimulus imparted by an outsized Federal Government deficit, ignited the opening quarters of the expansion phase in this business cycle. Real GNP grew by 6.1% from the fourth quarter of 1982 to the fourth quarter of 1983. The inflation rate was 4.1% in this four-quarter span and unemployment dropped to 8.1% by the fourth quarter of 1983. Consumer demand slowed markedly in the second year of this phase in the cycle as the released pent-up demand completed its appointed rounds. Business investment then began its recovery and economic expansion continued to roll merrily along. The *Economic Forecasts* indicate that real GNP has risen by 5.6% from the fourth quarter of 1983 to the fourth quarter of 1984 (median of the forecasts). This strong growth performance was achieved without any resurgence of inflation. The forecasts show that prices rose by only 3.8% in this four-quarter span. Further, the strong economic performance has allowed the unemployment rate to fall to a 7.3% rate for the fourth quarter of 1984 (median of the forecasts).

This two-year resurgence in consumer and business demand has strained the economy's ability to step up production. Manufacturers' capacity utilization rate first went over the 80% mark in October, 1983 (see the chart on page 7). The operating rate hit 82% in February, 1984, and has remained at that high level ever since. The economy's strained ability to step up production to meet consumer and business demand opened wider a window of opportunity for foreign production.

The data on the *Money Supply and Monetary Targets* chart show that money-supply growth was higher in 1983 than the Federal Reserve's established target range. In hindsight, neither the Fed nor anyone else anticipated so strong a recovery without any upward pressure on prices—despite continued outsized Federal Government deficits. Given the extent of economic growth, the relatively restrictive money supply, concern about a possible resurgence of inflation, and changes in the banking system (concerning which institutions could offer differing services) held interest rates substantially higher than the inflation rate. The Federal Funds rate—the rate at which banks borrow from other banks—gradually rose from about 8½% at the beginning at 1983 to about 9½% by the end of the year.

As indicated on the money chart, money growth has been held more closely to the target ranges established for 1984 during this year. That tighter check on money growth is one reason why the Federal Funds rate climbed from about 9½% at the end of 1984 to almost 12% by August, 1984. Strong economic growth, high interest rates, and low inflation made the dollar almost too alluring for foreign investors to resist. The trade-weighted *Exchange Rate* of the dollar against other major currencies, which rose by about 10% in each of the last three years, continued to climb at that same pace in the first ten months of 1984. The strong dollar has also made imported goods almost too alluringly priced for domestic buyers to resist: Imports flooded into U.S. markets driving the trade deficit deeper into the red.

Large budget deficits fueled a strong expansion but also helped keep interest rates high, which fueled a rise in the dollar, which opened the floodgates wide for a surge in imports that widened the trade deficit. Further, although the size of the budget deficits has not been trimmed very much, their stimulative punch now packs less of a wallop. The data on the *Perspective on the Federal Budget* show that the deficit was $195 billion in fiscal 1983, and about $170 billion in the just-completed fiscal 1984. Both the Administration's proposal and the congressional estimate put the deficit for the current fiscal year at about the same level as it was in the last fiscal year. Yet, the economy grew at almost a 6% pace over the last eight quarters. That arithmetic says that if the size of the deficit has not changed but the economy has put in two strong years of growth, the deficit's impact on the economy must have diminished a little. The Conference Board's estimate of *Fiscal Thrust*—the initial impact of the budget on the economy—was at hurricane strength as the recovery got

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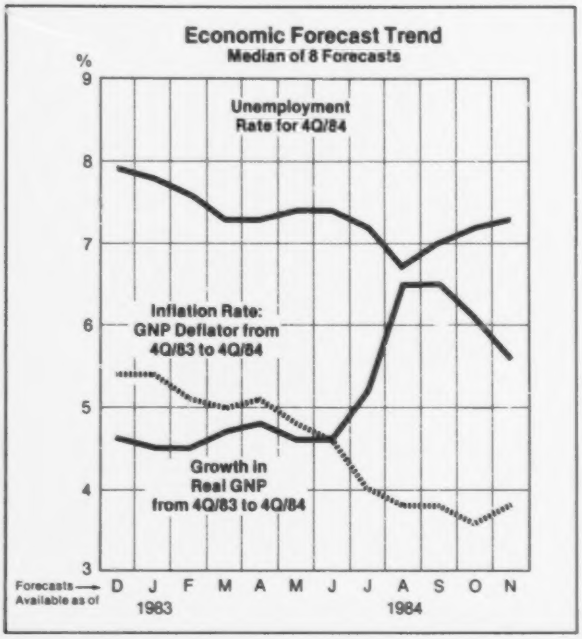


under way, but is probably closer to gale force now and will continue to ebb through 1985.

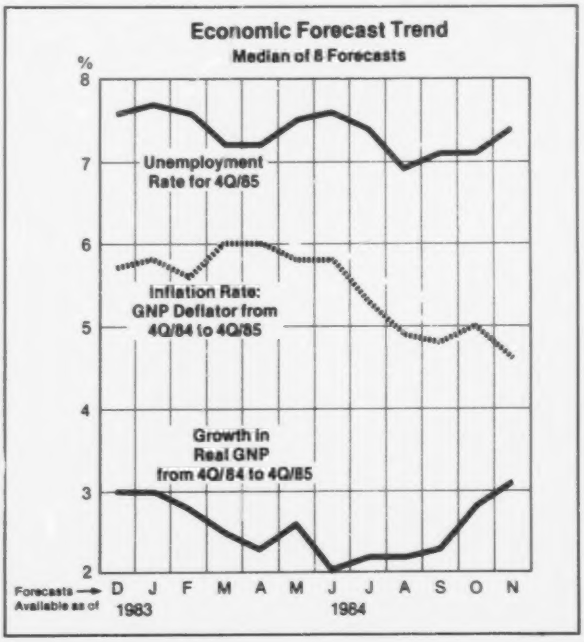
Less *Fiscal Thrust*, high trade deficits, high interest rates, and a strong dollar have combined to reduce a strong expansion to the point where economic growth is only matching the growth in the labor force in the second half of 1984. And the *Economic Forecasts* indicate that real GNP will grow by only about 3.1% from the fourth quarter of 1984 to the fourth quarter of 1985 (median of the forecasts). That growth rate is too slow to allow improvement in the unemployment rate. The forecasts expect the rate still to be at 7.4% by the fourth quarter of 1985. Since the dollar is imparting such a strong price advantage to imports, domestic producers are constrained from raising their prices very quickly. Thus, the forecasts suggest that the inflation rate will remain well in check, at only about 4½% in the current four-quarter span.

The first look at prospects for 1986 suggests that the picture does not brighten very much. Interest rates have declined a bit of late; and, by fits and starts, they could well move closer to the inflation rate over the next eight quarters. Slower economic growth might keep the trade deficit from widening as fast in the next two years as it has in the last two. Declines in interest rates remove one prop from under the value of the dollar, possibly even allow it to come down out of the stratosphere. One big question that remains is when—and how much—progress will be achieved in cutting down budget deficits. The recent election, decisive as it was, may well have left that question still unanswered.

The pace of activity in 1986 may not quicken much from the pace set in 1985. Those *Economic Forecasts* that extend through the forecast horizon indicate that real GNP will rise by about 2.8% from the fourth quarter of 1985 to the fourth quarter of 1986. That pace is obviously still too slow to allow for much progress on further lowering the unemployment rate. Unquestionably, the brightest light in the economic skies remains the continued dampened inflation expectations. The forecasts suggest that prices will rise by only about 5.1% from the fourth quarter of 1985 to the fourth quarter of 1986.

Weak demand for OPEC oil has put the price of that crucial product under continuous pressure. The rise in energy prices had much to do with the inflationary spiral in the 1970's. Weak energy prices in the 1980's may help to keep inflation from spiraling upward in this decade. Good labor-productivity gains and moderate wage demands could keep unit labor-cost increases from putting too much upward pressure on prices. The high value of the dollar is helping to keep inflation in check at the moment. That high dollar value, however, is more attributable to currency speculation than to fundamental economic trends. A shift in the winds of speculation could bring the dollar down significantly—but probably not all at once. What will happen when the downward pressure that the dollar exerts on prices is released? If prices start to rise a little faster, will a new mad scramble to stay ahead of inflation be set off? The forecasts say no. Forecasts, however, have proven to be off the mark on occasion.

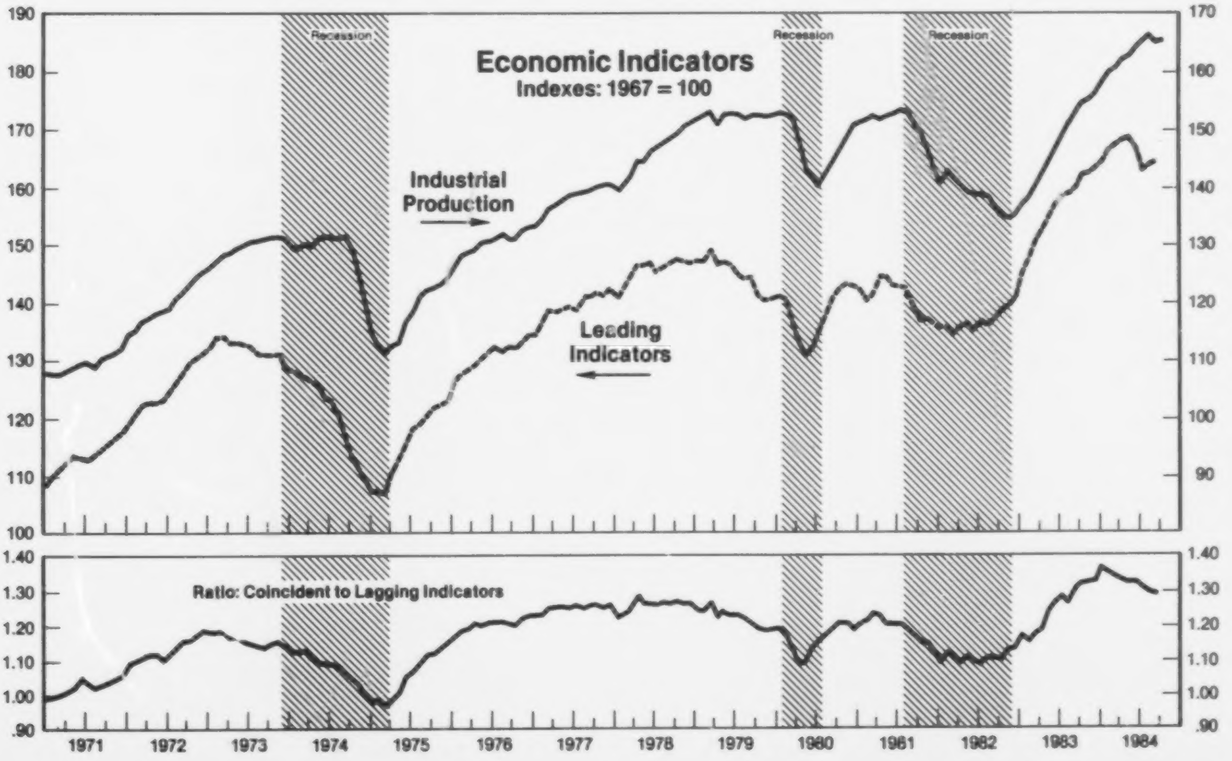
Ken Goldstein
November 9, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.		X		+ 1.4%	+ 2.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.			X	— 3.4%	+ 1.8%
New orders, nondefense capital goods (deflated)	Sept.		X		— 4.7%	+ 1.4%
*New business formation	Sept.	X			+ 3.6%	+ 4.3%
*Housing permits	Sept.			X	—18.6%	— 6.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		+ 0.4%	+ 4.2%
*Change in inventory, on hand & order (deflated)	Aug.			X	—21.2%	+ 3.9%
Purchasing agents' buying policy	Oct.			X	— 4 %	— 2 %
*Vendor performance, reported slower deliveries	Sept.			X	— 8 %	— 2 %
Industrial raw materials prices	Oct.			X	— 4.8%	— 2.5%
*Change in sensitive material prices	Sept.			X	— 0.9%	— 2.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.	X			+ 0.4%	+ 3.0%
Change in business loans	Sept.			X	—66.4%	+ 43.6%
*Change in credit outstanding	Sept.			X	— 9.7%	+ 11.4%
Change in consumer installment debt	Aug.			X	—50.8%	+ 22.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	— 1.0%	+ 19.4%
*Common stock prices	Oct.		X		+ 8.5%	— 2.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0.0hr	— 0.1hr
*Initial unemployment claims (inverted)	Oct.			X	— 3.8%	+ 1.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



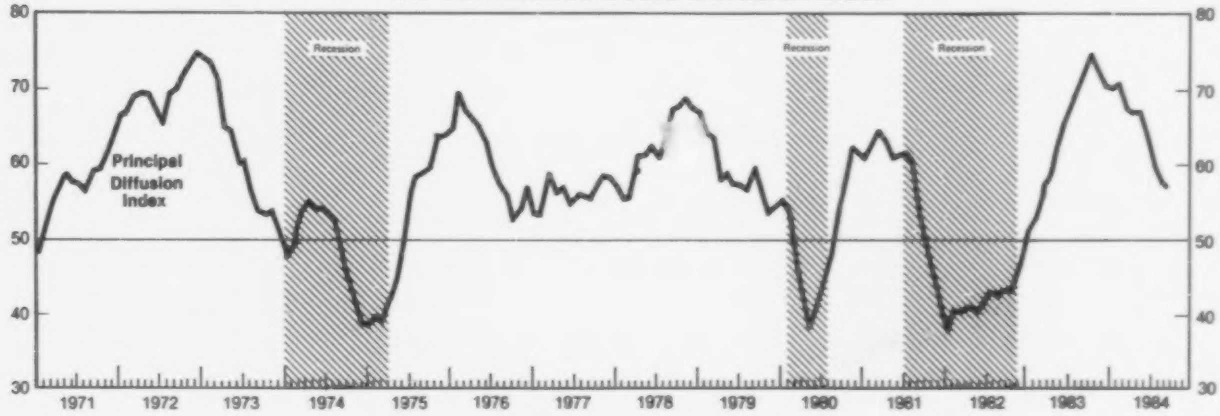
CONFERENCE BOARD DIFFUSION INDEXES

	1983	1984			
DIFFUSION INDEXES	Sept.	June	July	Aug.	Sept.(e)
Principal Diffusion Index	72.0	64.1	59.2r	57.8r	57.1
Auxillary Diffusion Index	58.1	40.3	34.1r	45.5r	47.5
Industrial Group	78.8	68.1	63.1r	61.9r	60.0
Nonindustrial Group	65.1	60.1	55.3	53.7r	54.1
Sense of Diffusion		1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.5	59.0	54.3r	55.6r	59.8
Labor	77.3	73.8	65.0	63.3r	61.5
Miscellaneous	72.4	67.3	71.8	67.9r	56.4
Nonindustrial Subgroups					
Prices	73.7	56.4	46.8	46.2	45.5
Consumer	70.5	75.6	69.7	63.7	68.4
Building	59.0	61.5	59.6	57.7r	56.4
Miscellaneous	58.1	46.2	43.6	46.2r	44.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982				*1983*				*1984*		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	47	52	55	60	70	76	75	74	70	65	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	23	30	38	44	65	76	82	80	76	75	70
2. Expectations for Economy, Six Months Ahead	59	64	65	70	76	78	74	73	67	60	57
Expectations for Own Industry, Six Months Ahead	58	61	61	65	70	72	69	70	67	61	57

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

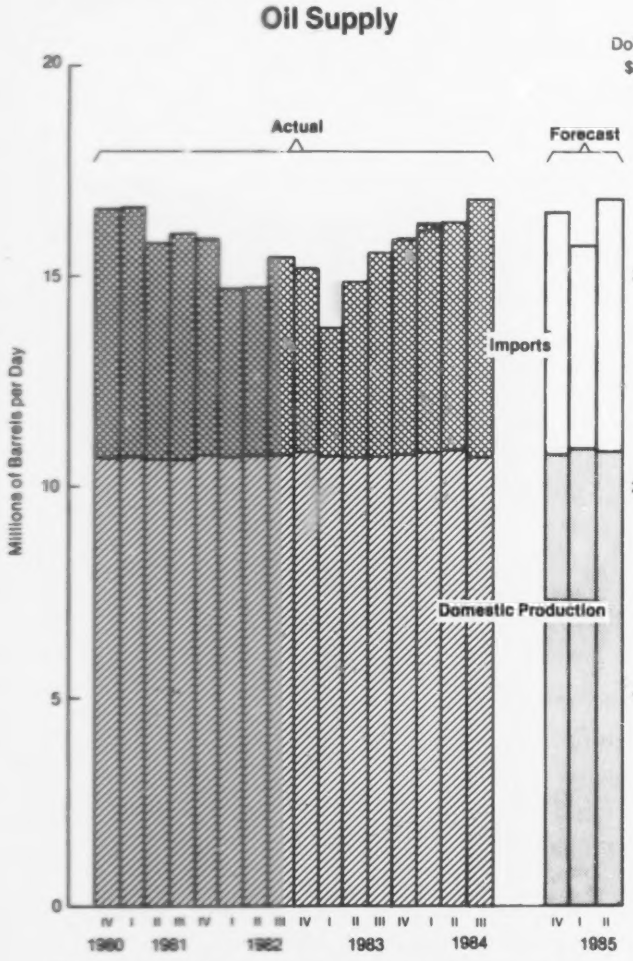
	1982	1983				1984		Percent Change From Previous Year		
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	21.488	20.072	20.874	22.875	24.262	26.816	37.092	−18	1	20
Capital expenditures	22.887	19.108	18.664	18.244	19.560	19.905	21.882	− 3	−23	25
Change in appropriations backlog*	−3.395	−1.160	+0.982	+1.988	+0.928	+5.152	+13.764			
Durable Goods										
New appropriations	8.238	8.130	9.293	9.119	11.024	13.662	21.153	−24	17	10
Capital expenditures	8.949	7.942	7.717	7.667	8.727	8.714	9.895	− 7	−19	31
Change in appropriations backlog*	−1.351	−0.676	+0.887	+1.466	+0.819	+4.057	+10.919			
Nondurable Goods										
New appropriations	13.250	11.942	11.581	13.666	13.238	13.154	15.939	−14	−9	27
Capital expenditures	13.938	11.166	10.947	10.577	10.833	11.191	11.987	0	−26	21
Change in appropriations backlog*	−2.044	−0.484	+0.095	+0.522	+0.109	+1.095	+2.845			
ELECTRIC & GAS UTILITIES										
New appropriations	9.939	7.614	6.663	5.831	6.968	5.388	8.440			
Capital expenditures	9.384	8.996	9.236	9.024	8.292	8.947	9.342			
Change in appropriations backlog*	−4.709	−4.916	−6.849	−3.913	−4.056	−5.927	−2.655			

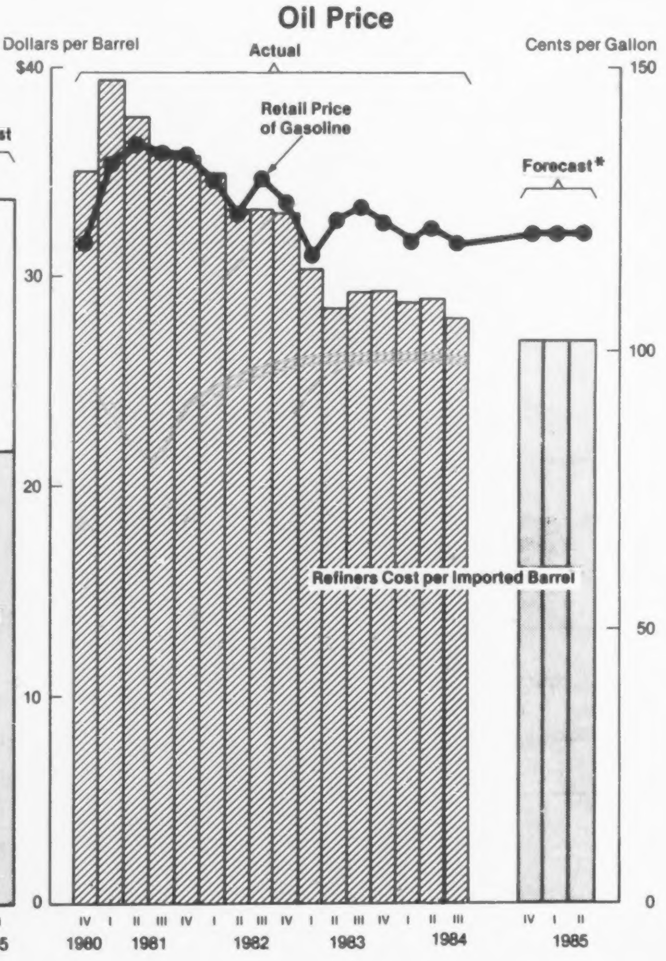
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

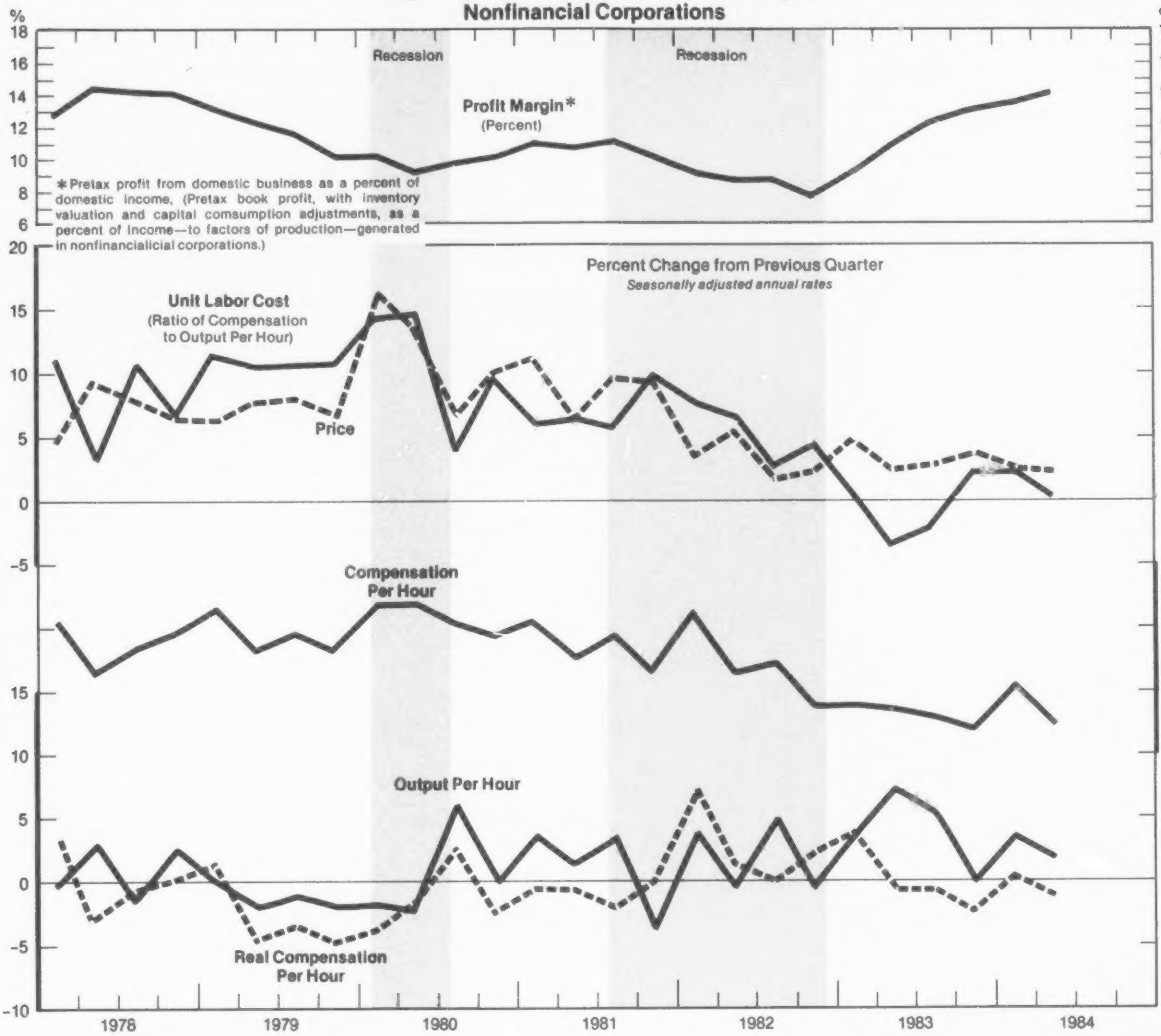




*Source: of Forecast is The Energy Information Administration; Department of Energy.

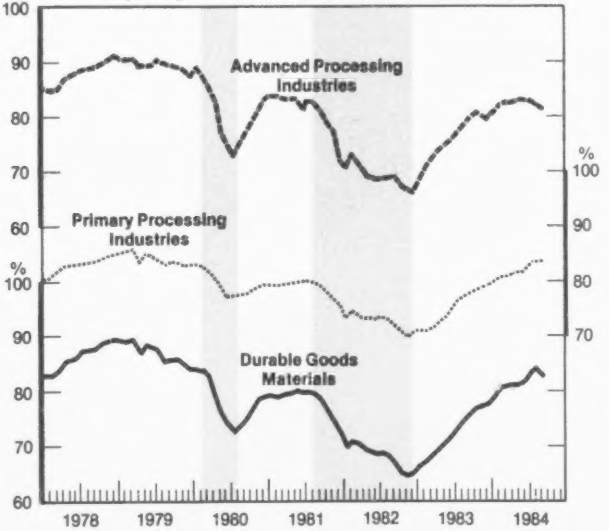
Key Determinants of Profit Margin

Nonfinancial Corporations

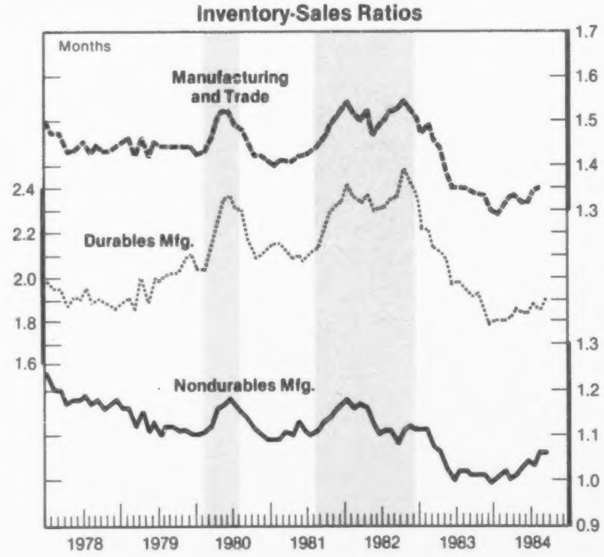


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Oct., 1984*		*Sept., 1984*		*Oct., 1984*		*Oct., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**III**	**$3701.2**	**6.3%**			**$3701.2**	**6.3%**	**$3701.2**	**6.3%**
		IV	3758.4	6.3	$3784.1	9.1%	3738.0	4.0	3758.2	6.3
	1985	I	3834.9	8.4	3855.3	7.7	3794.7	6.2	3842.1	9.2
		II	3900.4	7.0	3933.7	8.4	3874.0	8.6	3921.1	8.5
		III	3957.4	6.0	3977.8	4.6	3969.5	10.2	3997.1	8.0
		IV	4034.9	8.1	4053.0	7.8	4066.2	10.1	4076.8	8.2
	1986	I	4121.3	8.8			4154.6	9.0	4158.1	8.2
		II	4219.9	9.9			4231.2	7.6	4227.0	6.8
		III	4325.0	10.3			4300.2	6.7	4305.9	7.7
		IV	4428.8	10.0			4351.1	4.8		
	1984	Annual	3664.4	10.9	3671.3	11.1	3659.3	10.7	3664.4	10.9
	1985	Annual	3931.9	7.3	3955.0	7.7	3926.1	7.3	3959.3	8.0
	1986	Annual	4273.8	8.7			4259.3	8.5		
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**III**	**$1649.6**	**2.7%**			**$1649.6**	**2.7%**	**$1649.6**	**2.7%**
		IV	1659.8	2.5	1667.4	4.5	1654.0	1.1	1660.0	2.5
	1985	I	1675.8	3.9	1678.5	2.7	1668.0	3.4	1676.3	4.0
		II	1689.6	3.3	1693.8	3.7	1688.0	4.9	1691.6	3.7
		III	1699.5	2.4	1692.7	-.3	1711.0	5.6	1704.5	3.1
		IV	1714.3	3.5	1702.8	2.4	1734.0	5.5	1715.1	2.5
	1986	I	1731.5	4.1			1753.0	4.5	1721.8	1.6
		II	1751.8	4.8			1763.0	2.3	1723.9	.5
		III	1773.2	5.0			1766.0	.7	1728.6	1.1
		IV	1791.2	4.1			1758.0	-1.8		
	1984	Annual	1639.8	6.8	1641.6	7.0	1638.3	6.8	1639.8	6.9
	1985	Annual	1694.8	3.4	1692.0	3.1	1700.3	3.8	1696.9	3.5
	1986	Annual	1761.9	4.0			1760.0	3.5		
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**III**	**224.4**	**3.6%**	**224.5**	**3.9%**	**224.4**	**3.6%**	**224.4**	**3.6%**
		IV	226.4	3.7	226.9	4.4%	226.0	2.9	226.4	3.7
	1985	I	228.8	4.3	229.7	4.9	227.5	2.7	229.2	5.0
		II	230.8	3.6	232.2	4.5	229.5	3.6	231.8	4.6
		III	232.9	3.5	235.0	4.8	232.0	4.4	234.5	4.7
		IV	235.4	4.4	238.0	5.2	234.5	4.4	237.7	5.6
	1986	I	238.0	4.6			237.0	4.3	241.5	6.5
		II	240.9	4.9			240.0	5.2	245.2	6.3
		III	243.9	5.1			243.5	6.0	249.1	6.5
		IV	247.3	5.6			247.5	6.7		
	1984	Annual	223.4	3.8	223.6	3.9	223.3	3.7	223.4	3.8
	1985	Annual	232.0	3.8	233.7	4.5	230.9	3.4	233.3	4.4
	1986	Annual	242.5	4.5			242.0	4.8		
Unemployment Rate										
Actual	**1984**	**III**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
		IV	7.3		7.1		7.4		7.5	
	1985	I	7.2		7.1		7.0		7.3	
		II	7.2		7.3		7.0		7.2	
		III	7.2		7.5		6.7		7.0	
		IV	7.2		7.5		6.6		7.0	
	1986	I	7.1				6.5		7.1	
		II	7.0				6.6		7.3	
		III	6.9				6.6		7.6	
		IV	6.8				7.0			
	1984	Annual	7.5		7.5		7.6		7.6	
	1985	Annual	7.2		7.4		6.8		7.1	
	1986	Annual	7.0				6.7			

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (2nd revision) second quarter data.

[2] Based on third quarter data.

ECONOMIC FORECASTS (continued)

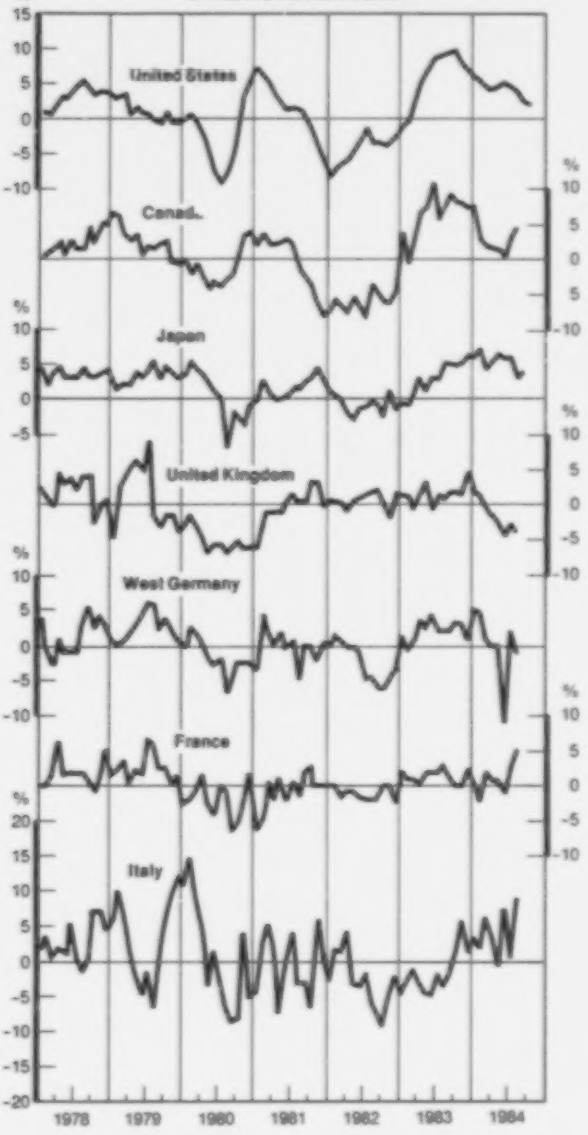
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Oct., 1984		*Oct., 1984*		*Oct., 1984*		*Oct., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3701.2	**6.3%**	**$3701.2**	**6.3%**	**$3701.2**	**6.3%**	**$3701.2**	**6.3%**	**III**	**1984**	**Actual**
3758.0	6.3	3762.8	6.8	3756.8	6.1	3767.8	7.4	IV		
3817.0	6.4	3835.8	8.0	3825.7	7.5	3860.2	10.2	I	1985	
3852.0	3.7	3915.7	8.6	3871.1	4.8	3930.3	7.5	II		
3894.0	4.4	3992.7	8.1	3912.0	4.3	3998.6	7.1	III		
3989.0	10.1	4071.1	8.1	3973.0	6.4	4068.7	7.2	IV		
		4139.4	6.9	4042.4	7.2	4139.8	7.2	I	1986	
		4217.6	7.8	4124.2	8.3	4203.2	6.3	II		
		4298.7	7.9	4214.1	9.0	4262.2	5.7	III		
		4392.9	9.1	4304.2	8.8	4342.9	7.8	IV		
3664.3	10.9	3665.5	10.9	3664.0	10.9	3666.8	11.0	Annual	1984	
3888.0	6.1	3953.8	7.9	3895.5	6.3	3964.5	8.1	Annual	1985	
		4262.2	7.8	4171.2	7.1	4237.0	6.9	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1649.6	**2.7%**	**$1649.6**	**2.7%**	**$1649.6**	**2.7%**	**$1649.6**	**2.7%**	**III**	**1984**	**Actual**
1661.8	3.0	1658.5	2.2	1659.1	2.3	1663.1	3.3	IV		
1675.2	3.3	1672.5	3.4	1672.0	3.1	1682.1	4.6	I	1985	
1670.9	-1.0	1687.0	3.5	1677.3	1.3	1693.9	2.8	II		
1671.0	.0	1700.0	3.1	1681.0	.9	1705.1	2.7	III		
1690.6	4.8	1709.4	2.2	1689.8	2.1	1715.3	2.4	IV		
		1715.4	1.4	1701.6	2.8	1722.0	1.6	I	1986	
		1727.3	2.8	1717.2	3.7	1725.3	.8	II		
		1741.2	3.3	1735.0	4.2	1723.7	-.4	III		
		1757.5	3.8	1750.4	3.6	1730.4	1.6	IV		
1640.3	6.9	1639.5	6.8	1639.6	6.8	1640.6	6.9	Annual	1984	
1676.9	2.2	1692.2	3.2	1680.0	2.5	1699.1	3.6	Annual	1985	
		1735.3	2.5	1726.1	2.7	1725.3	1.5	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
224.4	**3.6%**	**224.4**	**3.6%**	**224.4**	**3.6%**	**224.4**	**3.6%**	**III**	**1984**	**Actual**
226.1	3.2	226.9	4.6	226.4	3.7	226.6	3.9	IV		
227.9	3.1	229.3	4.4	228.8	4.3	229.5	5.3	I	1985	
230.5	4.8	232.1	4.9	230.8	3.5	232.0	4.5	II		
233.0	4.4	234.9	4.8	232.7	3.4	234.5	4.3	III		
236.0	5.1	238.2	5.7	235.1	4.2	237.2	4.7	IV		
		241.3	5.4	237.6	4.2	240.4	5.5	I	1986	
		244.2	4.8	240.2	4.5	243.6	5.5	II		
		246.9	4.5	242.9	4.6	247.3	6.1	III		
		250.0	5.1	245.9	5.1	251.0	6.1	IV		
223.4	3.7	223.6	3.8	223.4	3.8	223.5	3.8	Annual	1984	
231.8	3.8	233.6	4.5	231.9	3.8	233.3	4.4	Annual	1985	
		245.6	5.1	241.6	4.2	245.6	5.3	Annual	1986	
								Unemployment Rate		
7.5%		**7.5%**		**7.5%**		**7.5%**		**III**	**1984**	**Actual**
7.5		7.3		7.3		7.3		IV		
7.5		7.2		7.3		7.1		I	1985	
7.9		7.3		7.4		6.9		II		
8.1		7.4		7.5		6.8		III		
7.8		7.5		7.7		6.8		IV		
		7.5		7.7		7.0		I	1986	
		7.4		7.7		7.2		II		
		7.2		7.7		7.4		III		
		7.0		7.6		7.4		IV		
7.6		7.5		7.5		7.5		Annual	1984	
7.8		7.4		7.5		6.9		Annual	1985	
		7.3		7.7		7.3		Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

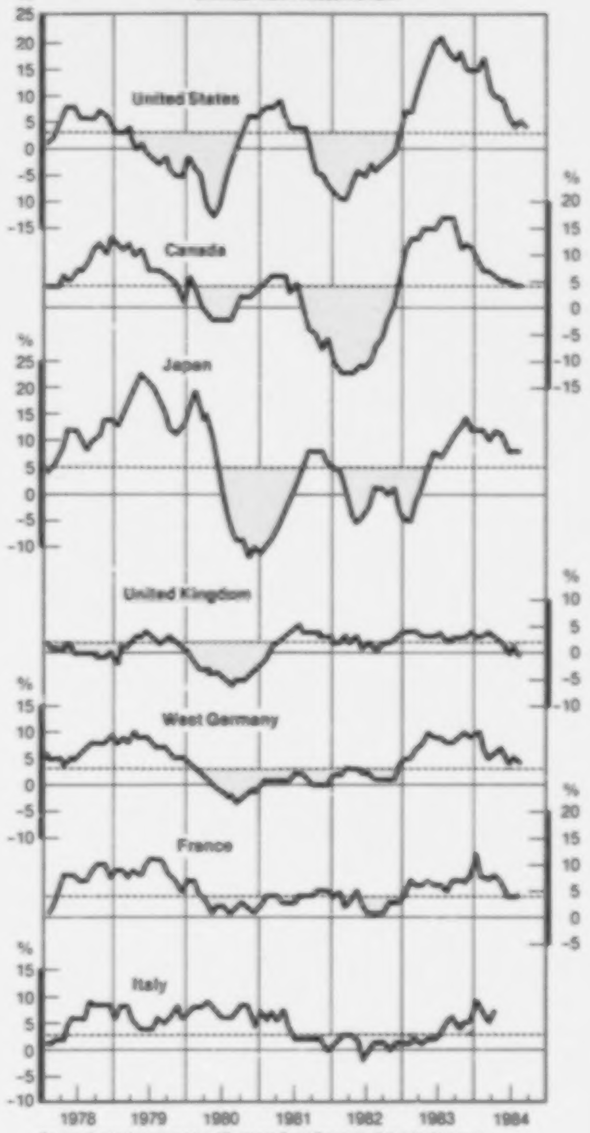
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



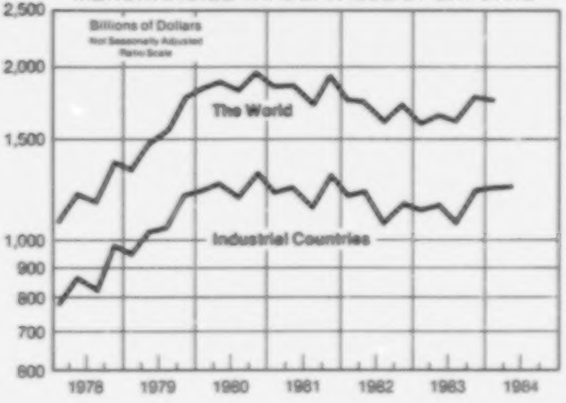
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

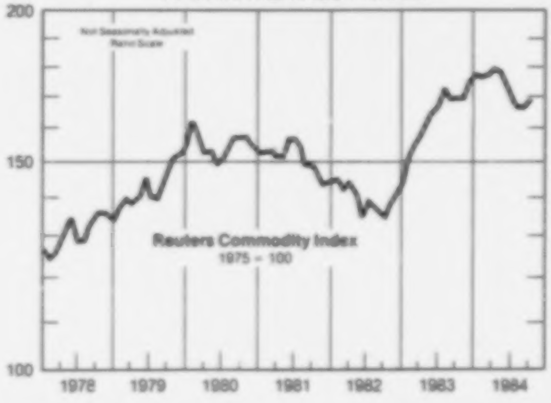


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

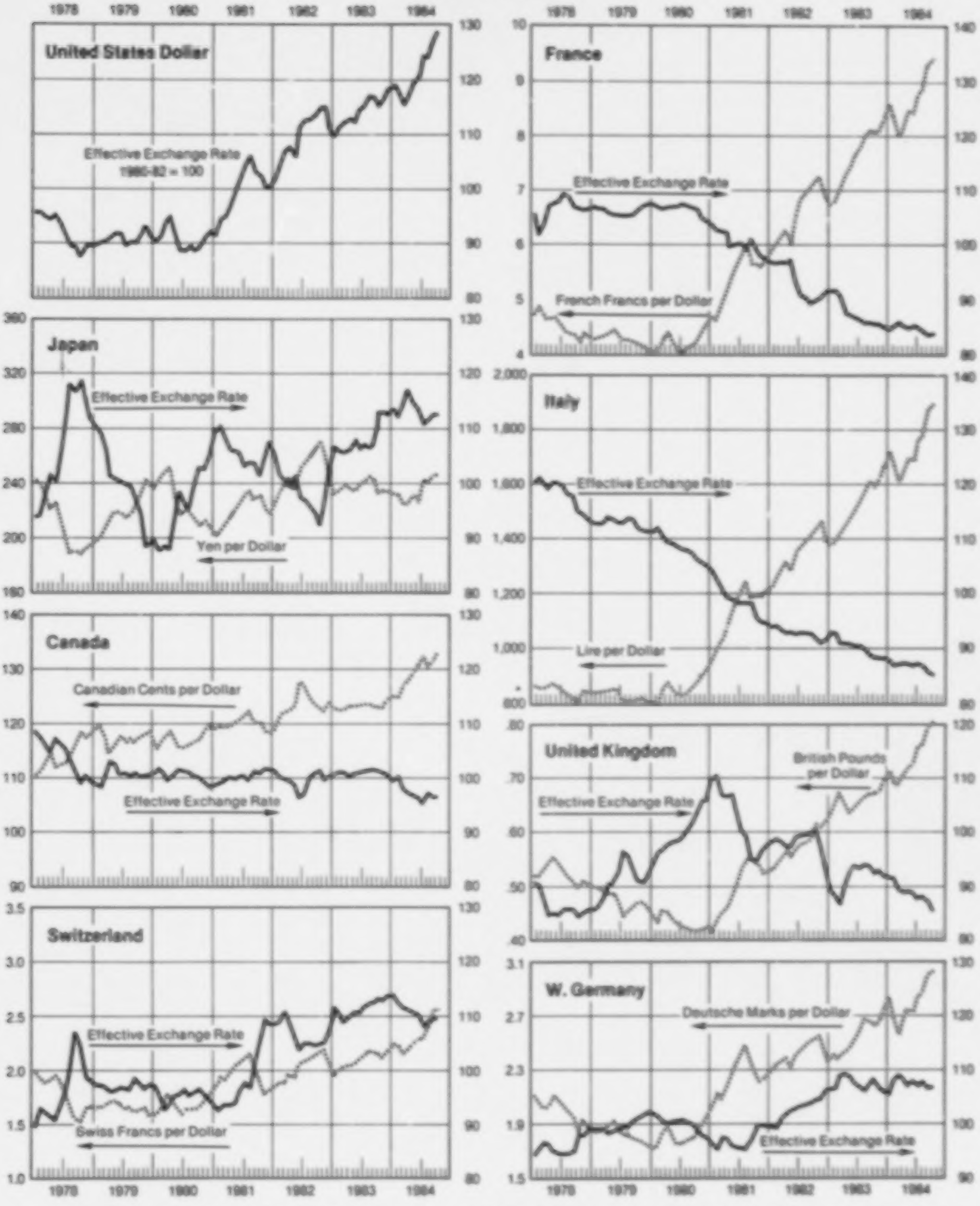


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



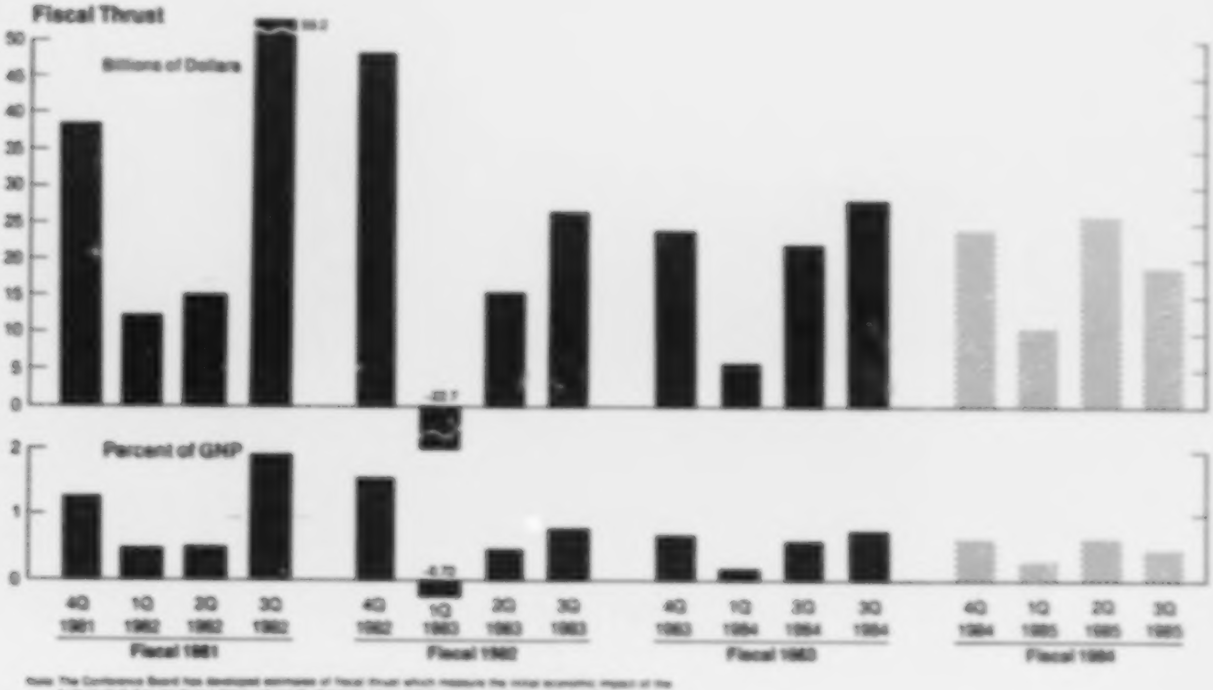
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

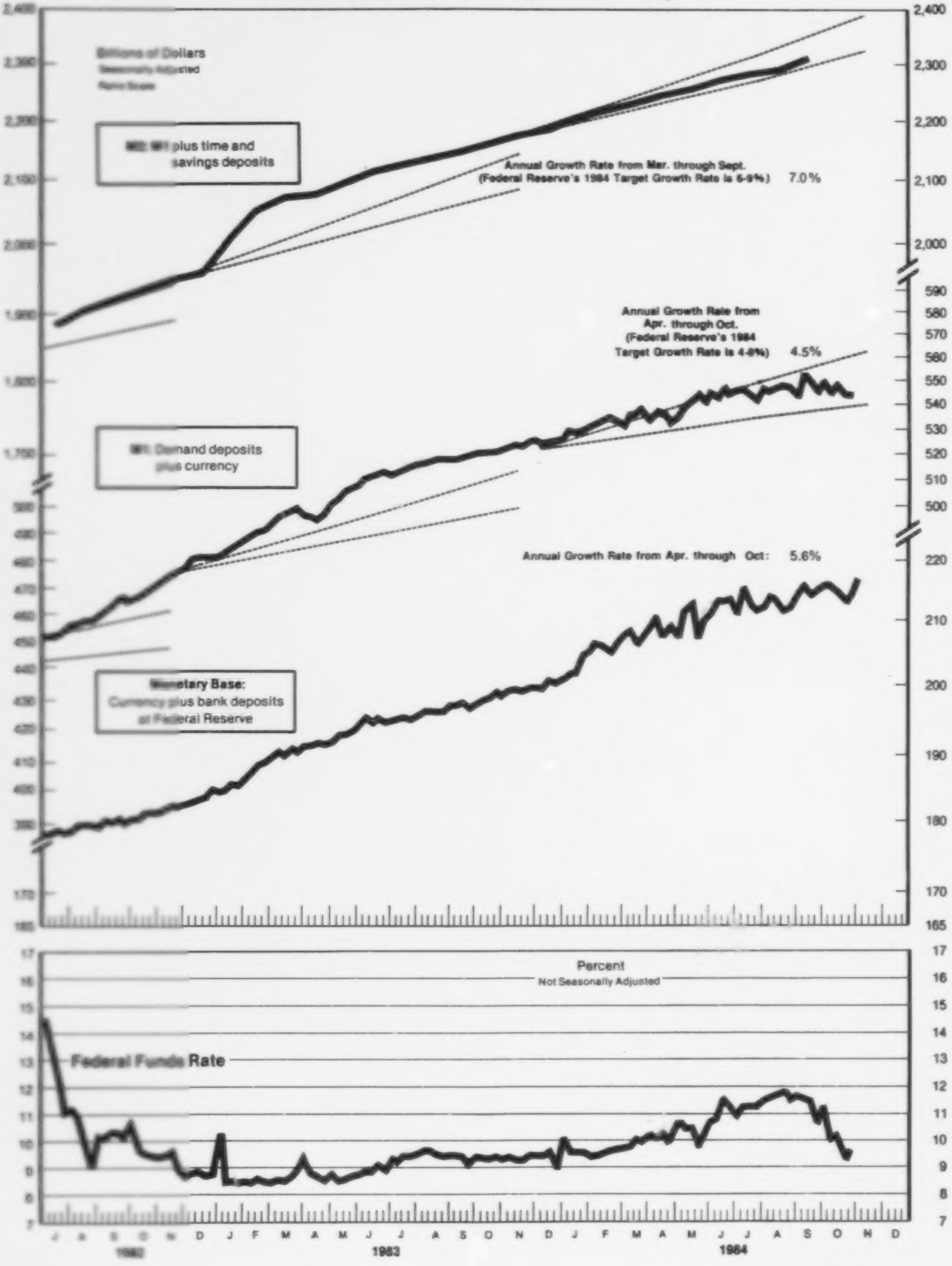
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual (2/1/84)	President's Proposal (8/14/84)	Congressional Estimate (9/25/84)	Current Service (2/1/84)	President's Proposal (8/14/84)	Congressional Estimate (9/25/84)
Receipts	600.6	670.7	672.9	737.3	763.8	750.9
Outlays	796.0	845.0	845.6	944.9	930.6	932.1
Deficit	-195.0	-174.3	-172.7	-207.7	-166.8	-181.2
Receipts by source	600.6	670.7	672.9	737.3	763.8	750.9
Individual income taxes	288.9	299.5		323.4	341.8	
Corporate income taxes	37.0	59.0		75.5	74.3	
Social insurance	209.0	241.2		269.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	796.0	845.0	845.6	944.9	930.6	932.1
National defense	209.9	233.6	230.4	284.4	286.2	262.9
Social security and medicare	223.3	237.0	274.0	261.4	258.1	254.1
Income security	122.2	95.2		116.9	110.3	111.7
Health	28.7	30.6	89.4	34.4	33.8	34.2
Education and manpower	26.6	28.2	28.0	29.0	29.4	29.9
Transportation	21.4	25.1	24.9	27.4	26.9	27.1
Veterans' benefits	24.8	25.9	25.9	26.6	26.7	26.4
International affairs	9.0	12.6	12.3	14.1	17.2	16.5
Agriculture	22.2	10.2	11.8	14.3	15.1	16.4
National resources and environment	12.7	12.2	12.3	11.8	11.6	12.0
General science	7.7	8.2	8.3	8.4	8.7	8.6
Community development	6.9	7.3	7.3	7.7	7.7	8.2
Revenue sharing	6.5	6.7	6.8		6.5	6.5
Justice	5.1	5.9	5.9	6.2	6.2	6.1
General government	4.8	5.3	5.1	5.7	5.6	5.6
Energy	4.0	2.4	2.5	3.4	2.8	4.1
Commerce and housing credit	4.4	4.6	4.4	1.6	0.3	2.0
Interest	89.8	109.4	111.1	117.9	130.2	133.8
Allowances			0.6	1.5	1.0	- 0.7
Undistributed offsetting receipts	-34.0	-16.2	-16.0	-34.6	-33.8	-33.2

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1981.

Money Supply and Monetary Growth Targets



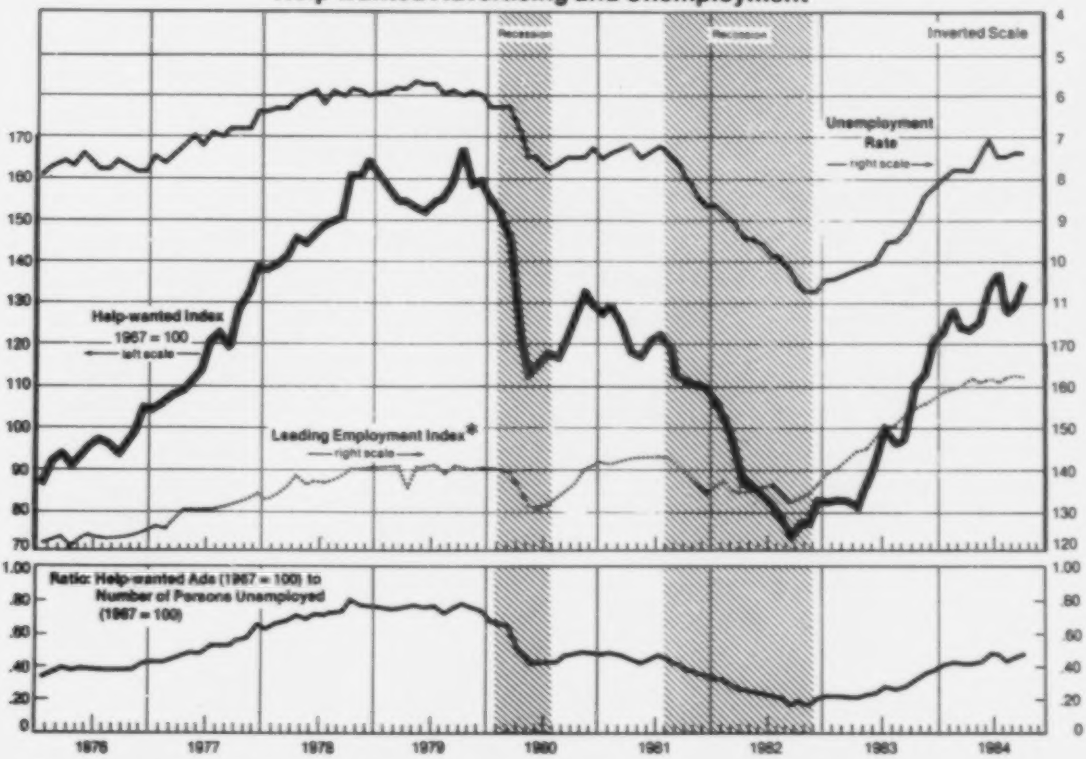
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Sept.	Aug.	July	Sept.
Total Index 51 papers	129	128	138	98
New England	144	146	155	102
Boston	153	155	171	115
Hartford	161	157	151	101
Providence	96	106	106	61
Middle Atlantic	62	60	68	48
Albany	128	95	140	85
Allentown	150	150	202	96
New York	54	52	56	46
Philadelphia	55	53	64	42
Pittsburgh	55	55	63	41
Rochester	70	73	76	46
Syracuse	100	106	113	68
East North Central	78	79	85	53
Chicago	96	102	105	63
Cincinnati	97	85	116	67
Cleveland	57	55	63	37
Columbus	110	102	111	73
Dayton	59	63	67	43
Detroit	50	49	55	37
Gary	100	103	99	83
Indianapolis	80	78	84	47
Milwaukee	57	52	57	38
Toledo	87	85	86	67
West North Central	85	85r	84	57
Kansas City	117	146	114	86
Minneapolis	80	66	76r	45
Omaha	122	131	124	91
St. Louis	60	56r	62	41
South Atlantic	147	148	158	111
Atlanta	275	254	293	189
Baltimore	88	111	93	72
Charlotte	137	134	144	98
Jacksonville	176	192	198	151
Miami	82	78	82	75
Richmond	93	92	108	65
Washington, D.C.	147	146	160	111
East South Central	118	118	136	91
Birmingham	121	129	142	96
Knoxville	174	191	190	149
Louisville	70	72	77	48
Memphis	104	86	111	84
Nashville	154	155	200	115
West South Central	265	266	299	230
Dallas	370	362	422	299
Houston	332	333	369	297
New Orleans	119	125	141	111
Oklahoma City	144	160	174	124
San Antonio	196	195	208	156
Tulsa	159	156	167	121
Mountain	303	292	321	209
Denver	204	205	228	158
Phoenix	419	377	415	281
Salt Lake City	330	340	367	206
Pacific	194	187	192	151
Los Angeles	148	145	153	117
Sacramento	309	304	313	228
San Bernardino	167	151	188	119
San Diego	431	380	391	301
San Francisco	202	200	194	164
Seattle	191	190	172	165
Percentage of papers with rising volume	57%	16%	63%	33%
Unemployment rate	7.4%	7.5%	7.5%	9.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

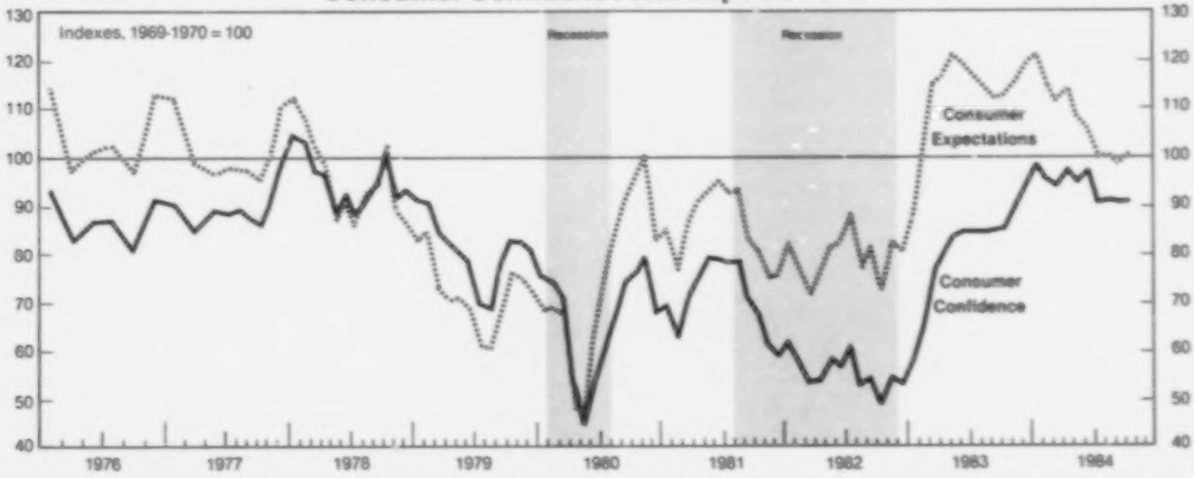
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0r	91.1p		
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3r	104.0p		

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

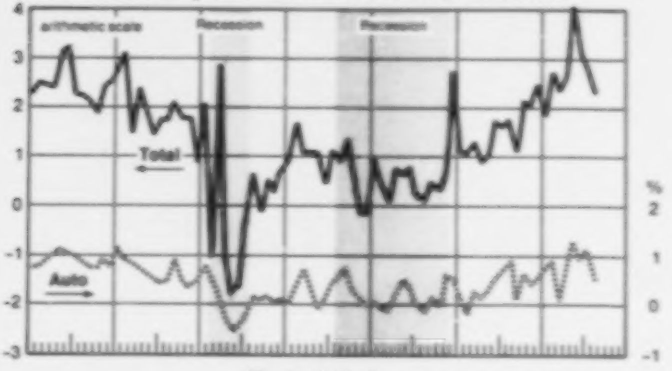
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2456.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

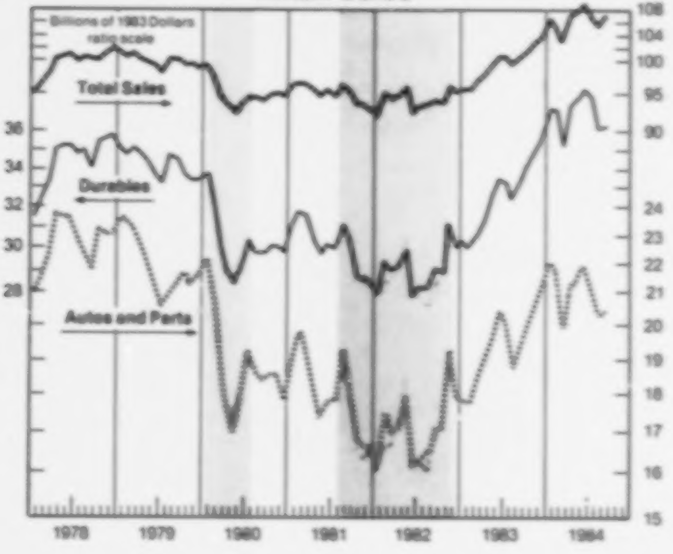
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



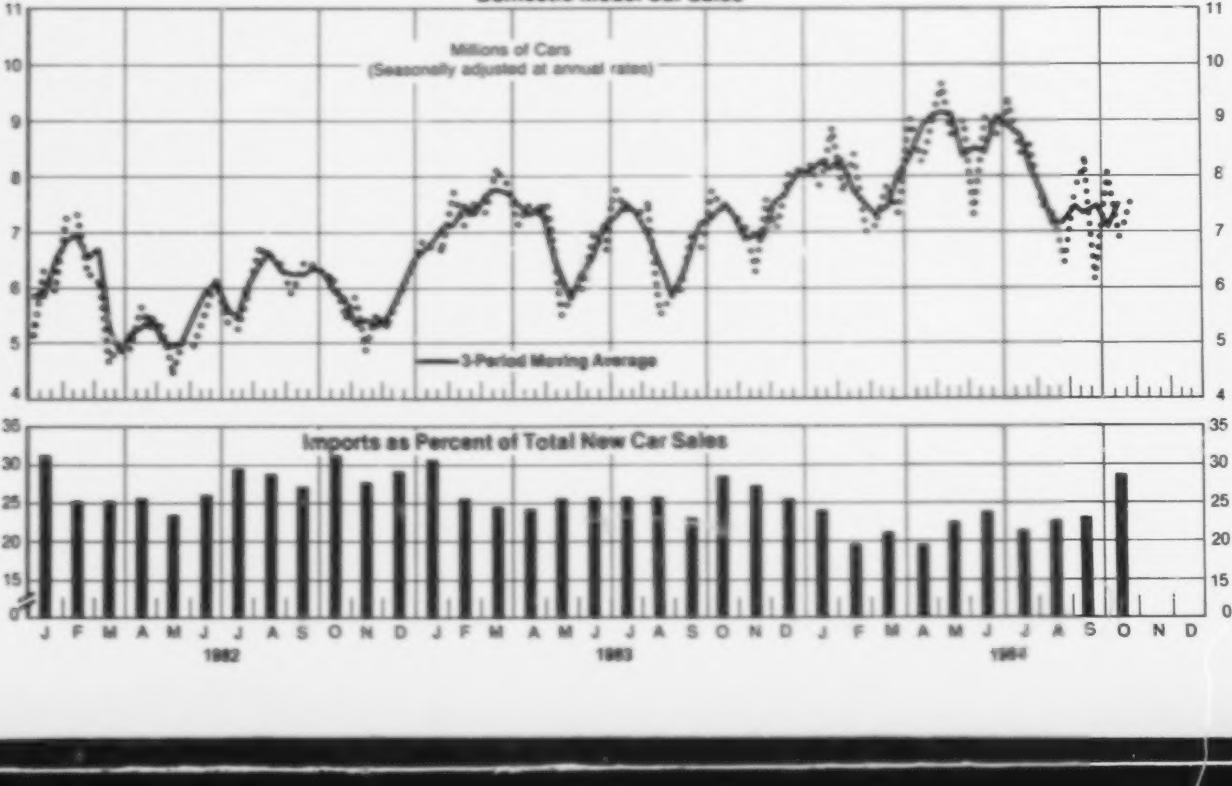
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.40	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	8.39
	21-31	5.89	5.30	7.37	8.53
August:	1-10	7.31	5.35	7.51	7.45
	11-20	6.98	4.52	5.53	7.30
	21-31	7.49	5.05	5.88	6.47
September:	1-10	6.80	4.93	5.98	7.76
	11-20	5.73	6.54	6.99	8.25
	21-30	6.36	6.19	6.64	6.12
October:	1-10	5.29	5.40	7.78	8.10
	11-20	5.27	5.25	7.40	6.92
	21-31	5.43	5.80	7.31	7.55
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude imports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 17, No. 12, December, 1984

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The Conference Board

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COMMENT

There are a number of spending-freeze and tax-reform proposals on the table. With a little luck and a lot of patience, some reduction of Federal Government budget deficits can be wrung out of all those suggestions. Outsized budget deficits stimulated one of the strongest recoveries on record: Output, jobs and incomes rose very sharply in 1983 and the first half of 1984, without any quickening in the pace of inflation. But high interest rates prevailed and the dollar soared to new heights. An overstimulated domestic economy gave importers an opportunity to sell their wares at bargain prices, thanks to a high dollar. Sales of imported goods limit sales of domestically produced goods. Growth of domestic output, jobs and incomes, then, has slowed sharply in the second half of 1984. The *Economic Forecasts* are indicating that sluggish growth will continue in 1985, and possibly right through 1986 as well.

Conventional wisdom holds that a weak currency is bad for business and a strong currency is good. The United States is now finding that a superstrong dollar is one big headache. A strong dollar lends a deep discount to imports, making them almost too alluringly priced for consumers to resist. The dollar's climb has been steep and steady for the last four years. By November, its trade-weighted *Exchange Rate* against other major currencies was 126.8 (1980-1982 = 100), 27% above its base period value.

Consumers spent freely in the first year and one-half of recovery, and were not hesitant to borrow when income ran short. They were busy attending to current needs and needs that were put on hold during the back-to-back recessions. By mid-1984, most of that pent-up demand had apparently been released and consumer spending slowed—as it always does a few quarters into a recovery. Further, the rise in interest rates in the first half of 1984 was adversely affecting car and home sales by the Summer months. Moreover, a lot of the goods that consumers were buying were produced abroad. Consumer spending is rising more slowly now and industrial production has essentially been flat since the early Summer months.

The rather sudden, and sharp, fall in the growth of sales came as something of a surprise to producers and inventory has begun to pile up. As indicated on the chart on page seven, the Inventory/Sales ratios have begun to inch higher. This suggests that producers may wait until a clearly rising demand is evident before stepping up production.

Domestic producers are not only having a hard time competing against foreign producers, they are also trying to deal with a sudden disappearance of productivity gains. The *Key Determinants of Profit Margins* chart shows that the rise in output per hour in the nonfinancial corporate sector has been gradually slowing since the first half of 1983. It is not unusual to experience a slower rise in productivity as a recovery matures into an expansion. It is unusual, however, to see that transformation set in as early as it did and to undergo an outright decline in productivity in the third quarter of 1984, followed most likely, by another decrease in the fourth quarter.

The significant drop in labor productivity has sharply boosted unit labor costs. But producers cannot step up price increases since they are already losing market share to foreign competition. Profit margins in the nonfinancial corporate sector, then, fell in the third quarter of 1984, and probably suffered another setback in the fourth quarter. Absent a rebound in sales increases and/or productivity gains, profit margins are unlikely to recover lost ground in 1985. That spells trouble for business investment.

A year ago, the rate of manufacturing capacity utilization had just passed 80% and seemed to be rising quickly. It looked as if business urgently needed to acquire a good deal more plant and equipment. Although a wall of high borrowing costs seemed to block that path, rising profit margins and liberalized depreciation allowances provided enough internal funding to kick off an investment boom that promised not only to expand capacity but to sustain a rising productivity trend.

The slower pace of sales for domestically produced goods makes the need to expand capacity quickly less urgent. Indeed, as indicated on the chart on page seven, operating rates have been flat since the late Spring. On the other hand, the economy has already benefited from the usual purely cyclical pickup in productivity, and needs new facilities if improving productivity is to be resumed. Profit margins, however, are no longer rising and it would require a new escalation of investment to accelerate the buildup of depreciation allowances. Business investment, therefore, now requires more external funding. Given a higher cost of investment, some rate-of-return on investment calculations are putting a few projects back on the drawing board.

The Conference Board's *Capital Appropriations and Expenditures* survey shows that the rise in business invest-

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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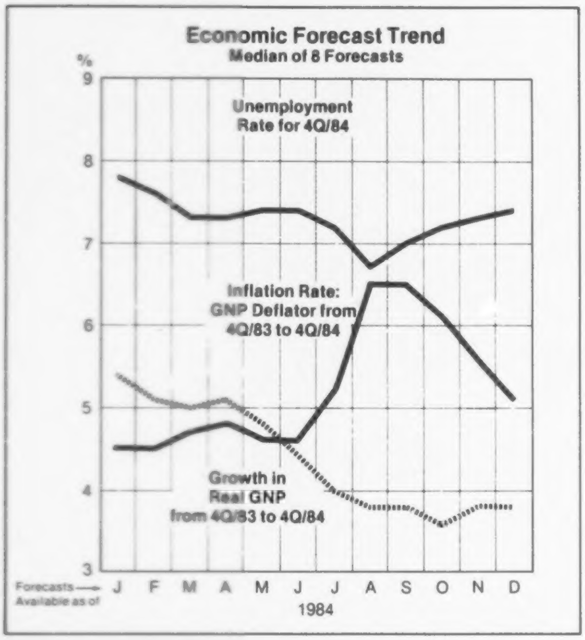


Economic Forecast Trend
Median of 8 Forecasts

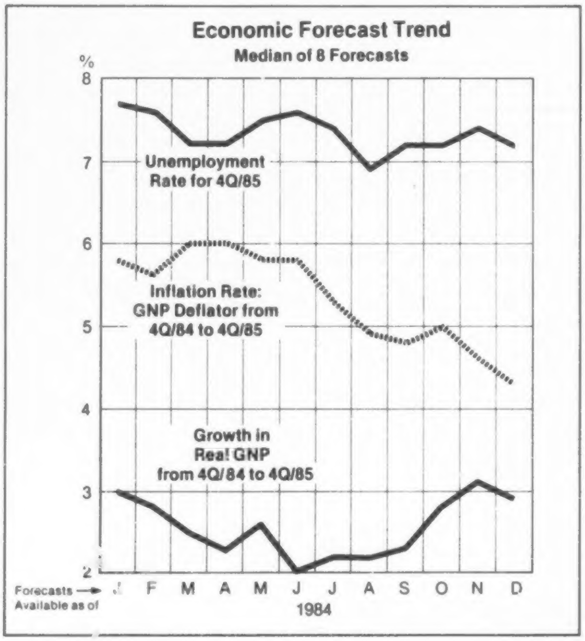
ment continued into the third quarter of 1984, but is beginning to lose steam. Capital spending rose in the third quarter, but not as sharply as it had earlier this year. And capital appropriations—approval of new projects—fell in the third quarter. Further, the survey respondents said that they expect their spending on new plant and equipment to rise by 12% in 1985, compared with a gain of about 20% this year. Even that lowered expectation will be hard to achieve if interest-rate reductions do not continue.

These economic conditions do not describe an overheated economy about to be cooled in a deep freeze of recession. Nor do they support any conclusion that underlying momentum will soon propel activity out onto the fast track of rapid expansion. They do describe an economy that was greatly stimulated by a highly expansionary fiscal policy—a policy which remains in place long after the pace of activity has achieved its recovery. The consequences of excess stimulation include persistently high interest rates, a dollar that went through the roof, and ballooning trade deficits. The cumulative impact of that unholy trio now blocks the stimulus delivered by outsized budget deficits. The economy has no momentum; the business cycle has been interrupted. Real output rose by only 2% in the third quarter of 1984, and the median of the *Economic Forecasts* shows that growth slowed to about only 1½% in the fourth quarter (seasonally adjusted annual rates).

Given a highly expansive fiscal policy, the Federal Reserve has had little choice but to pursue a rather restrictive monetary policy. However, rates of return on certificates of deposit have declined in recent weeks. That suggests that savers are a little less worried now about any new bout of surging inflation. A drop in inflation expectations gives some breathing room to money-supply growth and allows borrowing rates to fall. As indicated on the *Money Supply and Monetary Targets* chart, money growth was allowed to rise in November and interest rates declined. Lower rates may pave the way for some decline in the value of the dollar. A lower dollar and lower interest rates enhance prospects for a little more growth in activity. The median of the Economic Forecasts is for about a 3% rise in real GNP for 1985 and 1986.

The slower pace of expansion has brought the recovery in labor-market conditions to an end. The unemployment rate improved to 7½% by the Spring of 1984, but then remained at that level through the rest of the year. The Conference Board's *Help-wanted Index* had recovered to 138 (1967 = 100) by July but was still holding to a level of 136 in October, and early returns point to no appreciable change in November. This measure of labor demand indicates that the pace of new hiring is only matching the increase in the labor force. Given reduced prospects for economic growth, the Economic Forecasts indicate that, at best, the unemployment rate will not drop under 7% in 1985 or 1986. If economic growth falters, that rate could begin to inch closer to 8%, but not go beyond that, during the forecast horizon (fourth quarter of 1986).

Ken Goldstein
December 12, 1984



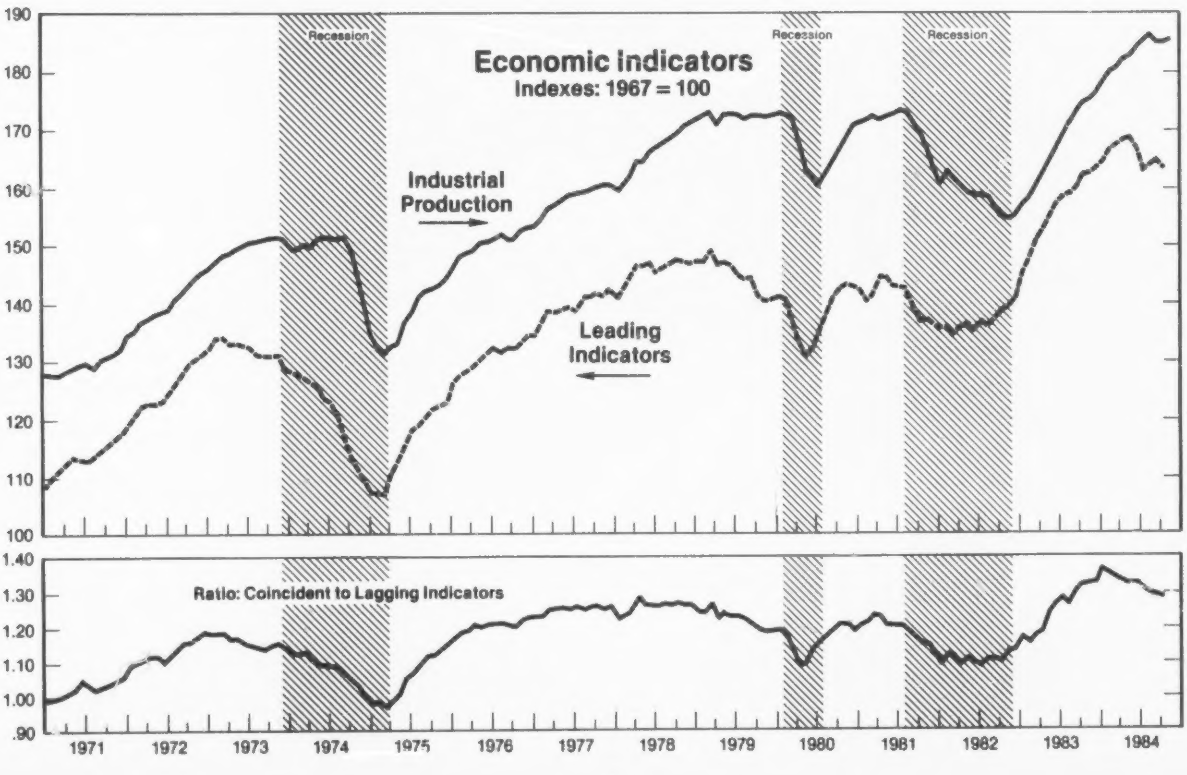
Economic Forecast Trend
Median of 8 Forecasts

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.		X		− 0.1%	+ 0.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.			X	− 5.1%	− 0.5%
New orders, nondefense capital goods (deflated)	Oct.			X	− 5.8%	− 3.5%
*New business formation	Oct.	X			+ 3.8%	+ 1.6%
*Housing permits	Oct.			X	− 9.4%	− 14.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.			X	− 4.1%	− 1.0%
*Change in inventory, on hand & order (deflated)	Sept.			X	− 10.2%	+ 3.4%
Purchasing agents' buying policy	Nov.		X		+ 4 %	+ 2 %
*Vendor performance, reported slower deliveries	Nov.			X	− 4 %	− 9 %
Industrial raw materials prices	Nov.		X		− 2.6%	− 4.1%
*Change in sensitive material prices	Oct.			X	− 7.5%	− 9.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.	X			+ 0.4%	+ 2.7%
Change in business loans	Oct.	X			+34.8%	+ 68.3%
*Change in credit outstanding	Oct.		X		− 4.0%	+ 1.6%
Change in consumer installment debt	Sept.			X	−42.5%	+ 20.8%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q			X	− 8.3%	− 5.0%
*Common stock prices	Nov.		X		+ 1.1%	+ 0.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.		X		0.0hr	− 0.1hr
*Initial unemployment claims (inverted)	Nov.			X	−41.1%	−32.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



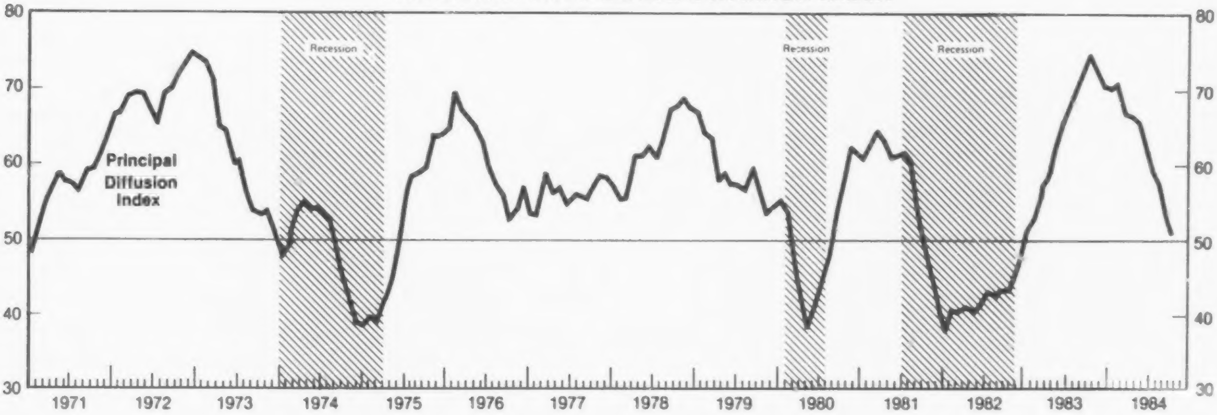
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Oct.	1984 July	1984 Aug.	1984 Sept.	1984 Oct.(e)
Principal Diffusion Index	72.8	58.9r	57.6r	52.7r	50.7
Auxillary Diffusion Index	54.9	38.4r	45.8r	34.1r	43.4
Industrial Group	79.5	60.2r	61.0r	55.5r	53.9
Nonindustrial Group	66.2	57.6r	54.2r	49.9r	47.4
Sense of Diffusion	1.0	1.0	1.0	1.0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	87.6	54.3	60.7r	51.7r	59.4
Labor	75.6	59.1r	58.3r	57.4r	53.7
Miscellaneous	76.9	71.8	67.9	56.4	46.2
Nonindustrial Subgroups					
Prices	70.5	46.8	46.2	45.5	37.8
Consumer	74.8	69.7	63.7	58.1r	63.2
Building	58.3	59.6	57.7	56.4	47.4
Miscellaneous	59.8	51.3r	47.9r	40.2r	38.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982			*1983*				*1984*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	76	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983				1984			Percent Change From Previous Year		
	Ir	IIr	IIIr	IVr	Ir	IIr	IIIp	1983 Actual	1984 Estimated	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.072	20.874	22.875	24.262	26.816	37.154	28.720	1	38	-13
Capital expenditures	19.108	18.664	18.244	19.560	19.905	21.808	23.751	-23	20	12
Change in appropriations backlog*	-1.160	+0.982	+1.988	+0.928	+5.152	+13.867	+3.797			
Durable Goods										
New appropriations	8.130	9.293	9.119	11.024	13.662	21.216	13.307	-17	64	-38
Capital expenditures	7.942	7.717	7.667	8.727	8.714	10.033	11.342	-19	32	- 4
Change in appropriations backlog*	-0.676	+0.887	+1.466	+0.819	+4.057	+10.843	+1.726			
Nondurable Goods										
New appropriations	11.942	11.581	13.666	13.238	13.154	45.035	15.413	- 9	18	14
Capital expenditures	11.166	10.947	10.577	10.833	11.191	11.775	12.409	-26	12	25
Change in appropriations backlog*	-0.484	+0.095	+0.522	+0.109	+1.095	+3.024	+2.071			
ELECTRIC & GAS UTILITIES										
New appropriations	7.614	6.663	5.831	6.968	5.388	8.440p				
Capital expenditures	8.996	9.236	9.024	8.292	8.947	9.342p				
Change in appropriations backlog*	-4.916	-6.849	-3.913	-4.056	-5.927	-2.655p				

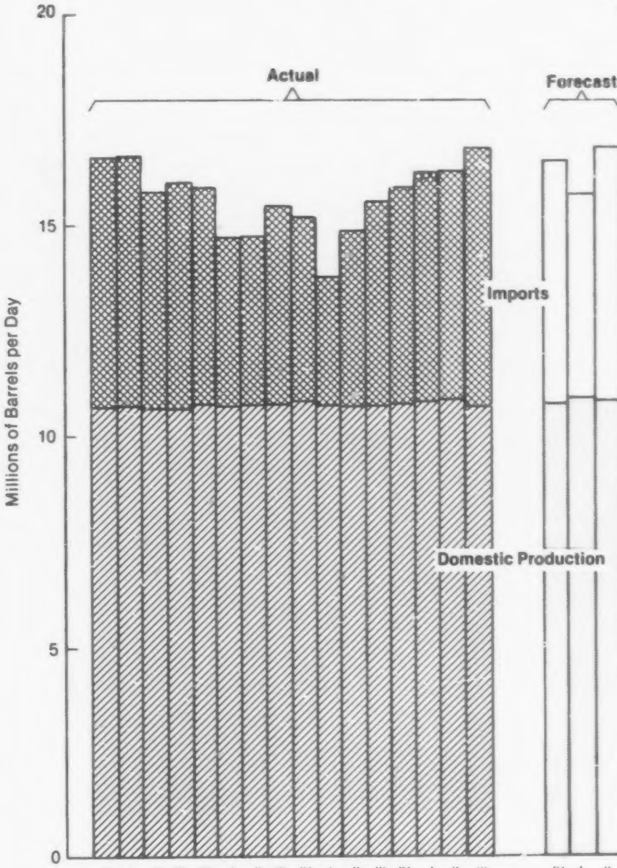
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

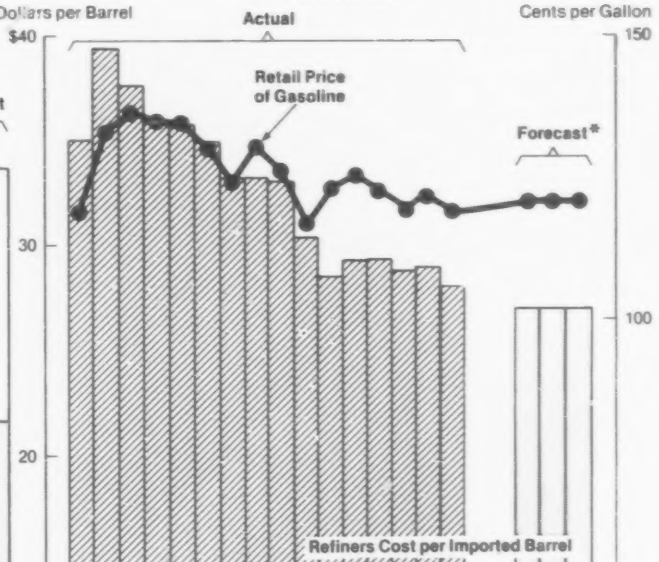
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



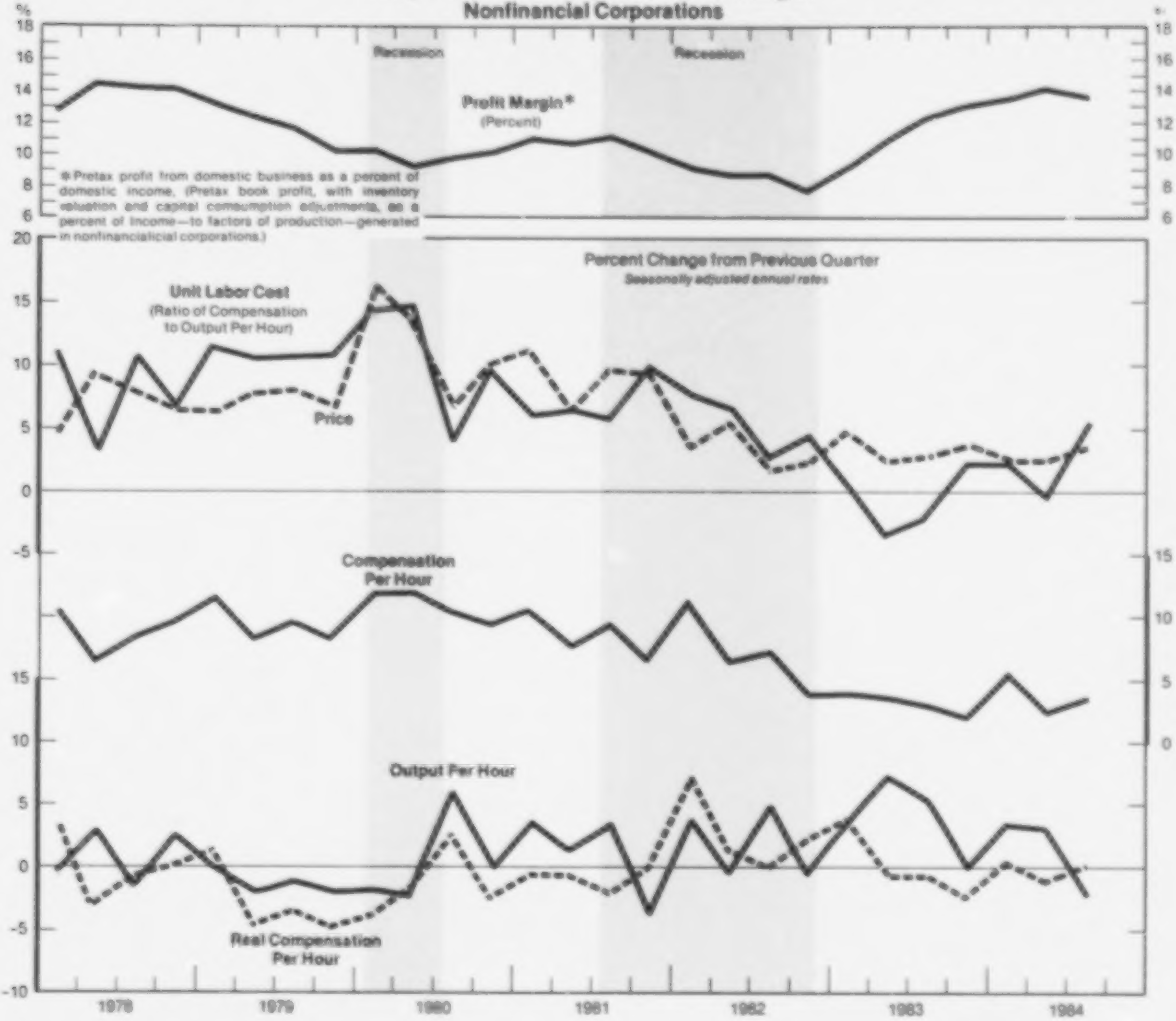
Oil Price



*Source: of Forecast s The Energy Information Administration, Department of Energy.

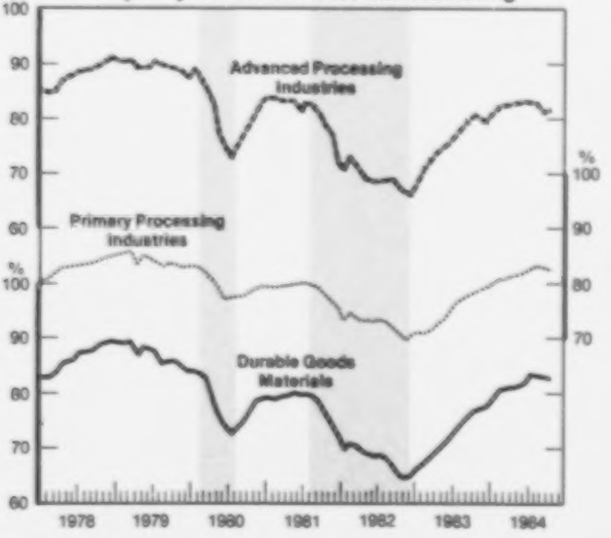
Key Determinants of Profit Margin

Nonfinancial Corporations

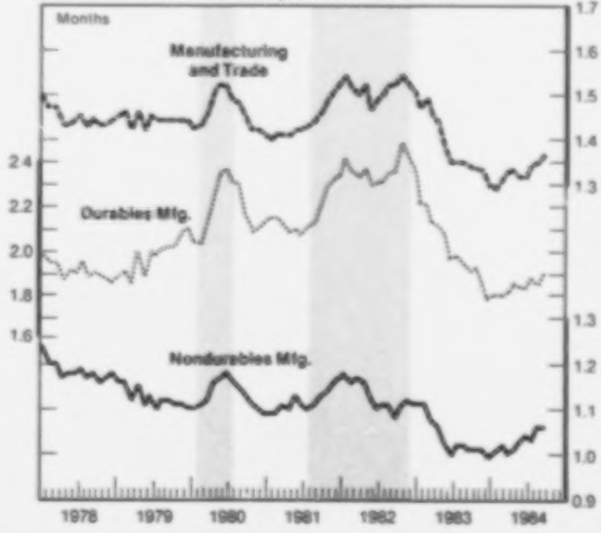


* Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[2]	
Date of Forecast			*Nov., 1984*		*Nov., 1984*		*Nov., 1984*		*Nov., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**III**	**$3695.2**	**5.7%**			**$3695.2**	**5.7%**	**$3695.2**	**5.7%**
		IV	3724.4	3.2	$3759.0	6.4%	3733.5	4.2	3755.6	6.7
	1985	I	3804.5	8.9	3850.3	10.1	3783.3	5.4	3823.3	7.4
		II	3890.0	9.3	3926.5	8.2	3851.9	7.5	3893.0	7.5
		III	3966.0	8.0	3972.1	4.7	3951.0	10.7	3963.7	7.5
		IV	4043.1	8.0	4048.7	7.9	4049.6	10.4	4039.6	7.9
	1986	I	4130.7	9.0			4138.0	9.0	4113.9	7.6
		II	4231.1	10.1			4207.2	6.9	4200.5	8.7
		III	4335.5	10.2			4275.9	6.7	4283.9	8.2
		IV	4445.6	10.6			4323.8	4.6	4385.4	9.8
	1984	Annual	3654.4	10.6	3664.6	10.9	3656.7	10.6	3662.2	10.8
	1985	Annual	3925.9	7.4	3949.4	7.8	3909.0	6.9	3929.9	7.3
	1986	Annual	4285.7	9.2			4236.2	8.4	4245.9	8.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**III**	**$1646.5**	**1.9%**			**$1646.5**	**1.9%**	**$1646.5**	**1.9%**
		IV	1644.1	-.6	1658.2	2.1	1652.0	1.3	1655.9	2.3
	1985	I	1662.4	4.5	1679.8	5.3	1663.0	2.7	1667.4	2.8
		II	1685.2	5.6	1691.8	2.9	1681.0	4.4	1680.2	3.1
		III	1702.7	4.2	1691.9	.0	1703.0	5.3	1691.0	2.6
		IV	1716.4	3.3	1706.7	3.5	1727.0	5.8	1702.3	2.7
	1986	I	1732.9	3.9			1746.0	4.5	1707.0	1.1
		II	1752.9	4.7			1753.0	1.6	1720.1	3.1
		III	1773.4	4.8			1756.0	.7	1729.5	2.2
		IV	1792.2	4.3			1747.0	-2.0	1744.4	3.5
	1984	Annual	1635.1	6.5	1639.4	6.8	1637.1	6.7	1638.0	6.7
	1985	Annual	1691.7	3.5	1692.6	3.2	1693.5	3.4	1685.2	2.9
	1986	Annual	1762.8	4.2			1750.5	3.4	1725.3	2.4
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**III**	**224.4**	**3.7%**			**224.4**	**3.7%**	**224.4**	**3.7%**
		IV	226.5	3.8	226.7	4.2%	226.0	2.8	226.8	4.3
	1985	I	228.9	4.2	229.2	4.5	227.5	2.7	229.3	4.5
		II	230.8	3.5	232.1	5.1	229.1	2.9	231.7	4.3
		III	232.9	3.7	234.8	4.7	232.0	5.1	234.4	4.7
		IV	235.6	4.6	237.2	4.2	234.5	4.4	237.3	5.0
	1986	I	238.4	4.9			237.0	4.3	241.0	6.4
		II	241.4	5.1			240.0	5.2	244.2	5.4
		III	244.5	5.2			243.5	6.0	247.7	5.8
		IV	248.1	6.0			247.5	6.7	251.4	6.1
	1984	Annual	223.5	3.8	223.5	3.8	223.4	3.7	223.6	3.8
	1985	Annual	232.0	3.8	233.3	4.4	230.8	3.3	233.2	4.3
	1986	Annual	243.1	4.8			242.0	4.9	246.1	5.5
Unemployment Rate										
Actual	**1984**	**III**		**7.5%**		**7.5%**		**7.5%**		**7.5%**
		IV		7.6		7.3		7.4		7.4
	1985	I		7.5		7.1		7.3		7.4
		II		7.4		7.1		7.2		7.2
		III		7.3		7.3		7.1		7.2
		IV		7.2		7.2		6.7		7.2
	1986	I		7.2				6.5		7.1
		II		7.1				6.6		7.1
		III		6.9				6.6		7.2
		IV		6.8				7.0		7.3
	1984	Annual		7.6		7.5		7.6		7.6
	1985	Annual		7.4		7.2		7.1		7.3
	1986	Annual		7.0				6.7		7.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary third quarter data.

[2] Based on revised third quarter data.

ECONOMIC FORECASTS (continued)

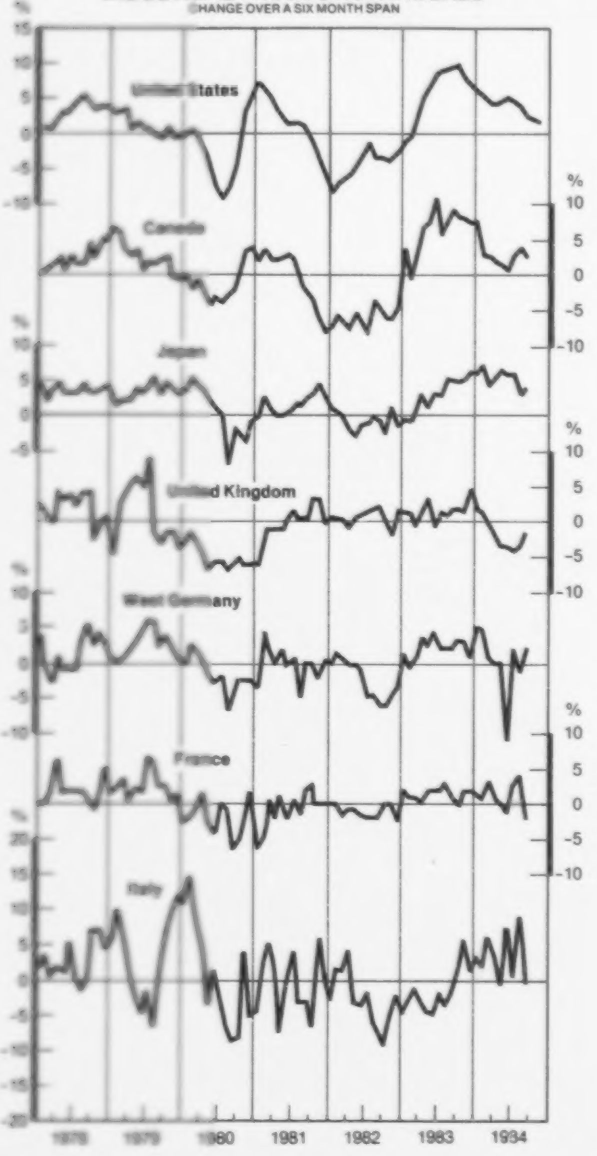
The Conference Board[2]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
Nov., 1984		*Nov., 1984*		*Nov., 1984*		*Nov., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3695.2	5.7%	$3695.2	5.7%	$3695.2	5.7%	$3695.2	5.7%	III	1984	Actual
3730.0	3.8	3747.3	5.8	3743.3	5.3	3736.6	4.6	IV		
3784.0	5.9	3805.1	6.3	3794.2	5.6	3815.7	8.7	I	1985	
3867.0	9.1	3885.2	8.7	3834.7	4.3	3897.4	8.8	II		
3944.0	8.2	3963.3	8.3	3895.4	6.5	3966.5	7.3	III		
4011.0	7.0	4021.5	6.0	3966.9	7.5	4036.8	7.3	IV		
		4080.3	6.0	4036.8	7.2	4107.5	7.2	I	1986	
		4156.4	7.7	4113.0	7.8	4179.9	7.2	II		
		4235.8	7.9	4194.6	8.2	4255.2	7.4	III		
		4322.3	8.4	4285.6	9.0	4338.6	8.1	IV		
3655.8	10.8	3660.1	10.8	3659.1	10.7	3657.5	10.7	Annual	1984	
3901.5	6.7	3918.8	7.1	3872.8	5.8	3929.1	7.4	Annual	1985	
		4198.7	7.1	4157.5	7.4	4220.3	7.4	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1646.5	1.9%	$1646.5	1.9%	$1646.5	1.9%	$1646.5	1.9%	III	1984	Actual
1652.7	1.5	1649.6	.8	1652.7	1.5	1652.1	1.4	IV		
1662.2	2.3	1659.2	2.3	1658.3	1.4	1668.5	4.0	I	1985	
1678.6	4.0	1673.7	3.5	1662.4	1.0	1687.2	4.6	II		
1688.2	2.3	1687.7	3.4	1674.8	3.0	1702.3	3.6	III		
1694.0	1.4	1690.3	.6	1688.3	3.3	1716.8	3.5	IV		
		1693.2	.7	1700.3	2.9	1728.2	2.7	I	1986	
		1702.9	2.3	1714.3	3.3	1740.3	2.8	II		
		1715.9	3.1	1730.1	3.7	1752.6	2.9	III		
		1731.3	3.6	1747.1	4.0	1766.9	3.3	IV		
1637.2	6.6	1636.5	6.6	1637.2	6.7	1637.1	6.7	Annual	1984	
1680.8	2.5	1677.7	2.5	1671.0	2.1	1693.7	3.5	Annual	1985	
		1710.8	2.0	1723.0	3.1	1747.0	3.1	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
224.4	3.7%	224.4	3.7%	224.4	3.7%	224.4	3.7%	III	1984	Actual
225.7	2.2	227.2	5.0	226.5	3.7	226.2	3.2	IV		
227.7	3.5	229.3	3.8	228.8	4.1	228.7	4.5	I	1985	
230.4	4.9	232.1	5.0	230.7	3.3	231.0	4.1	II		
233.6	5.6	234.8	4.7	232.6	3.4	233.0	3.5	III		
236.8	5.5	237.9	5.4	235.0	4.1	235.1	3.7	IV		
		241.0	5.3	237.4	4.2	237.7	4.4	I	1986	
		244.1	5.2	239.9	4.3	240.2	4.3	II		
		246.9	4.6	242.4	4.3	242.8	4.4	III		
		249.7	4.6	245.3	4.8	245.5	4.8	IV		
223.3	3.8	223.6	3.9	223.5	3.8	223.4	3.8	Annual	1984	
232.1	4.1	233.6	4.4	231.8	3.7	232.0	3.8	Annual	1985	
		245.4	5.1	241.3	4.1	241.6	4.1	Annual	1986	
								Unemployment Rate		
	7.5%		7.5%		7.5%		7.5%	III	1984	Actual
	7.3		7.3		7.5		7.5	IV		
	7.5		7.3		7.6		7.3	I	1985	
	7.4		7.4		7.7		7.1	II		
	7.5		7.4		7.8		7.0	III		
	7.6		7.5		7.8		6.8	IV		
			7.7		7.9		6.9	I	1986	
			7.7		7.9		7.0	II		
			7.5		7.8		7.1	III		
			7.3		7.8		7.1	IV		
	7.5		7.5		7.6		7.6	Annual	1984	
	7.5		7.4		7.7		7.0	Annual	1985	
			7.6		7.8		7.0	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

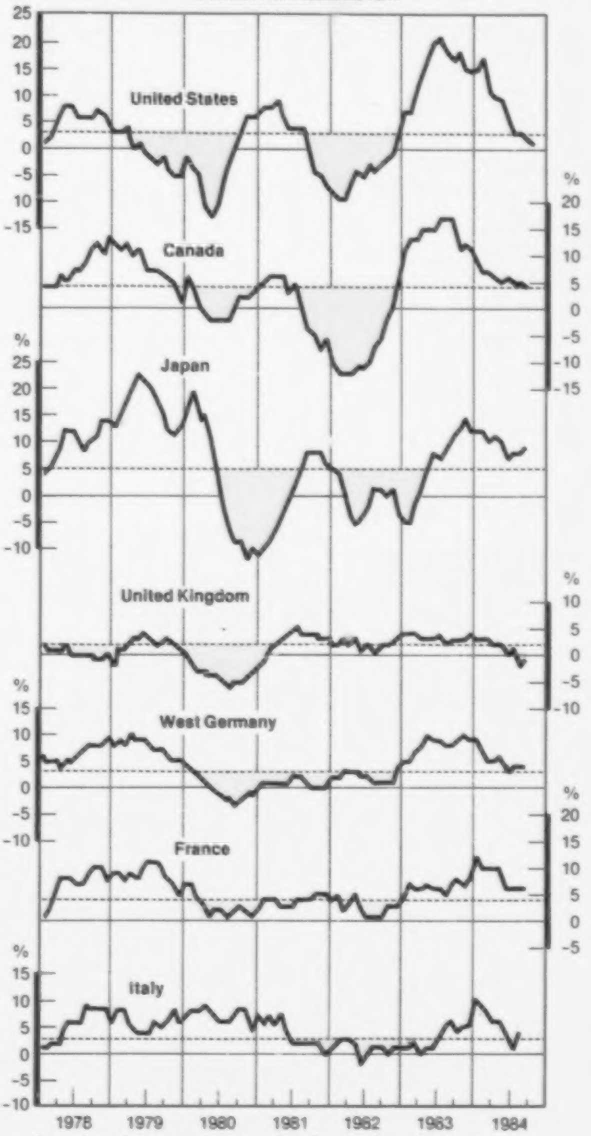
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



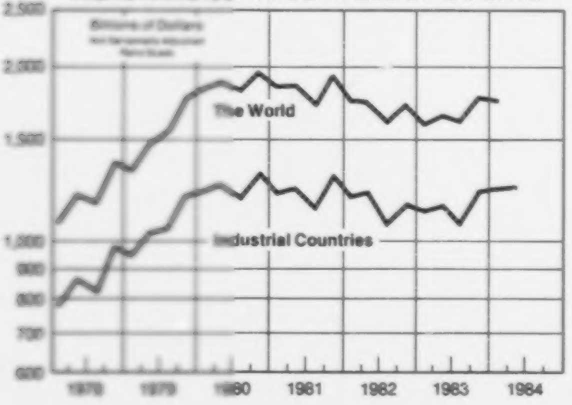
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

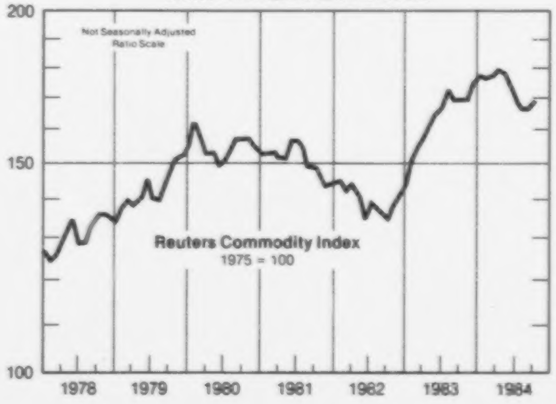


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

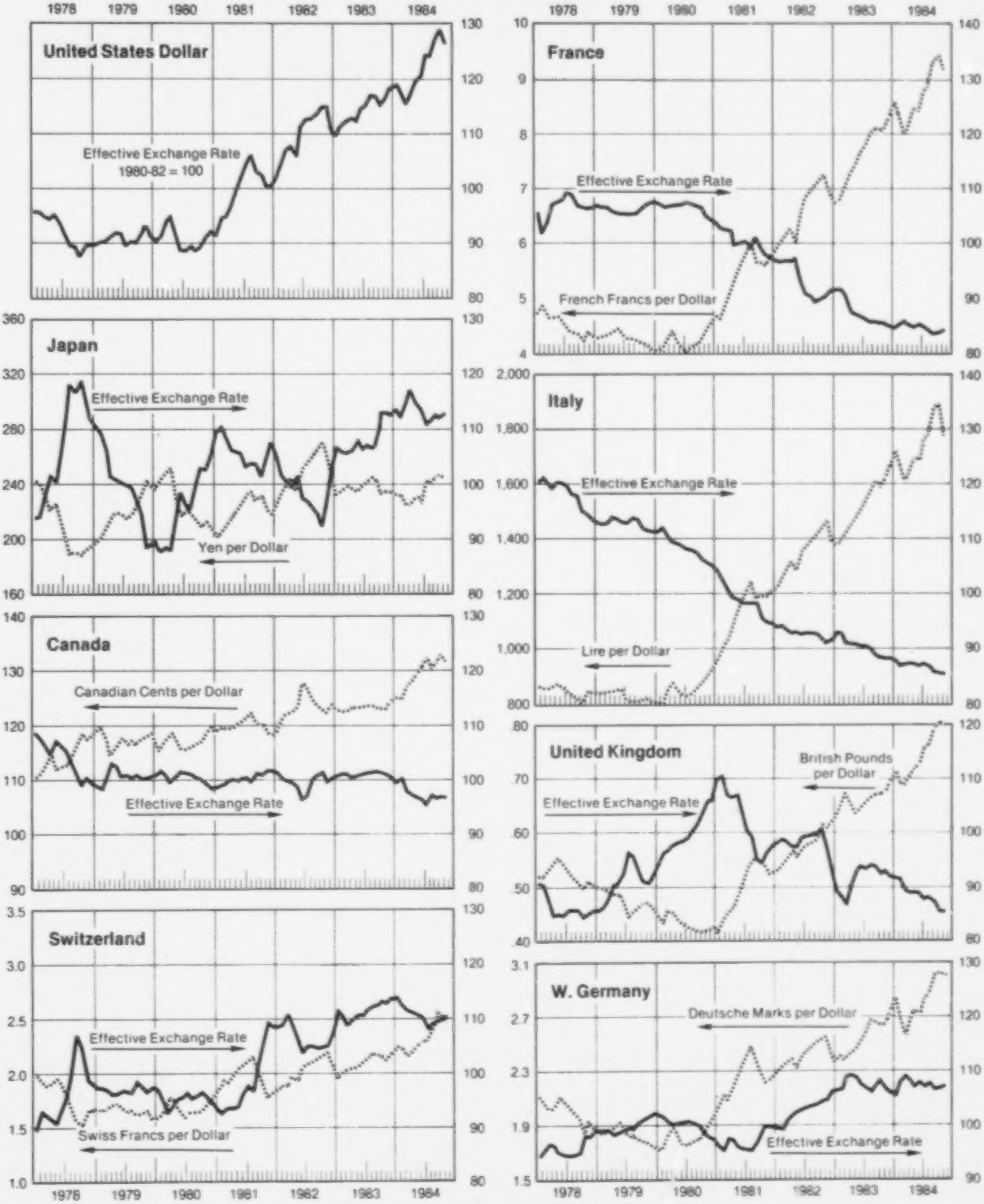


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



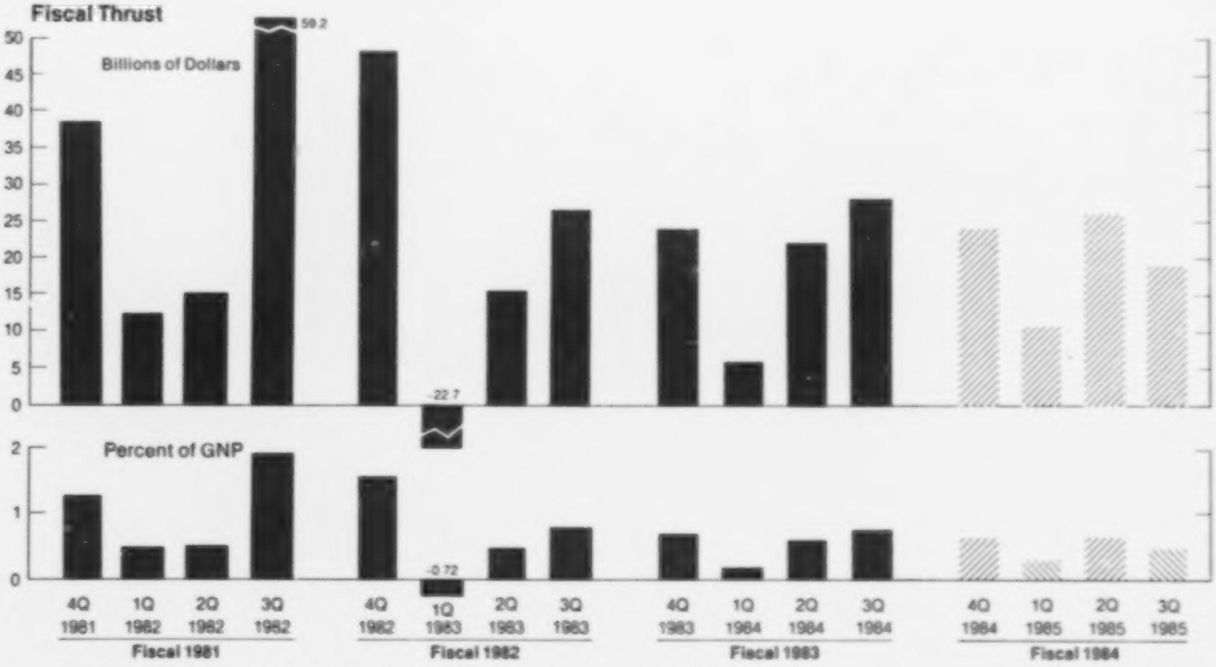
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

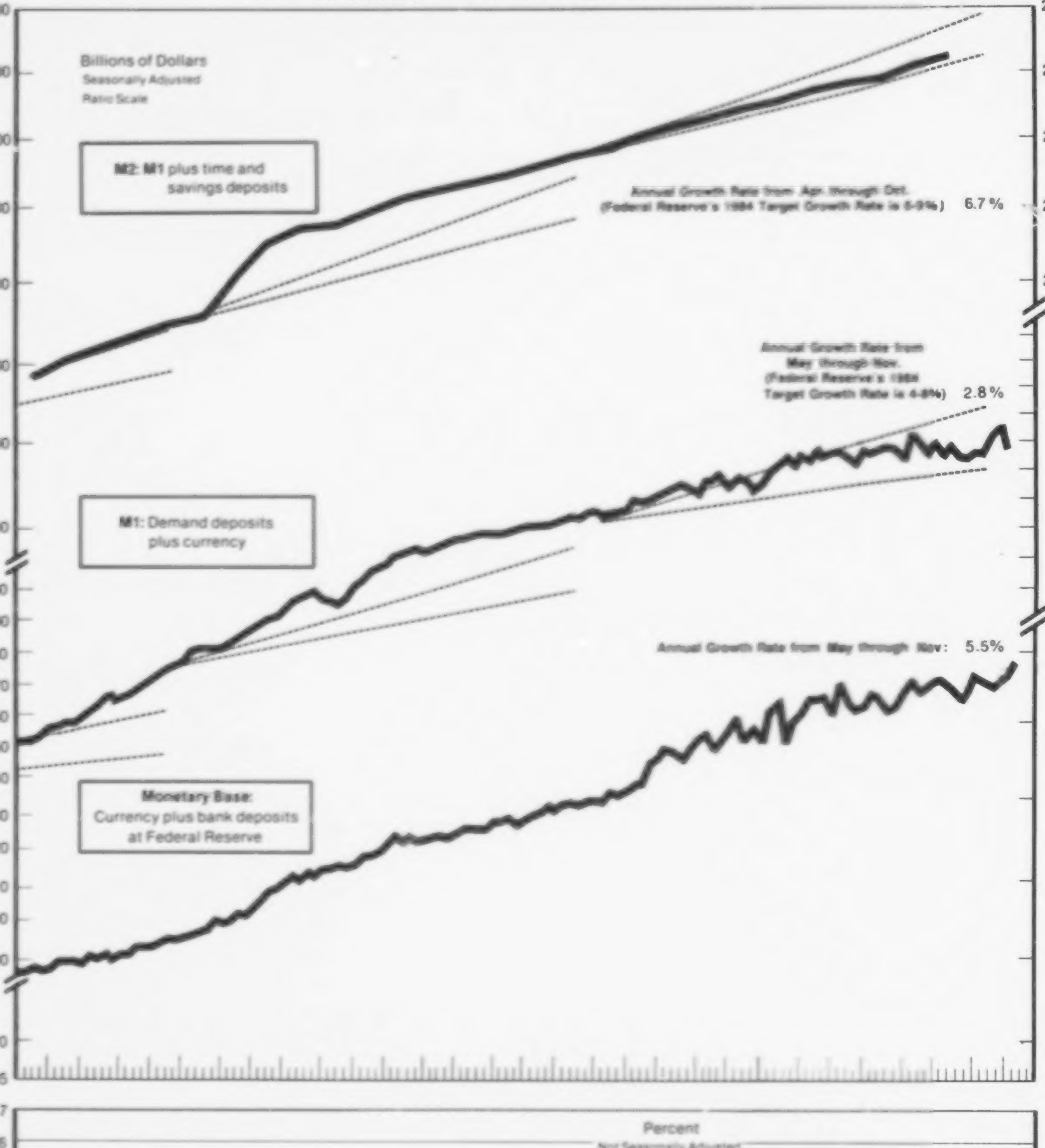
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(8/14/84)	(9/25/84)	(2/1/84)	(8/14/84)	(9/25/84)
Receipts	**600.6**	**670.7**	**672.9**	**737.3**	**763.8**	**750.9**
Outlays	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
Deficit	**-195.0**	**-174.3**	**-172.7**	**-207.7**	**-166.9**	**-181.2**
Receipts by source	**600.6**	**670.7**	**672.9**	**737.3**	**763.8**	**750.9**
Individual income taxes	288.9	299.5		323.4	341.8	
Corporate income taxes	37.0	59.0		75.5	74.3	
Social insurance	209.0	241.2		269.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
National defense	209.9	233.6	230.4	284.4	266.2	262.9
Social security and medicare	223.3	237.8	274.8	261.4	258.1	254.1
Income security	122.2	95.2		116.9	110.3	111.7
Health	28.7	30.6	89.4	34.4	33.8	34.2
Education and manpower	26.6	28.2	28.0	29.0	29.4	29.9
Transportation	21.4	25.1	24.9	27.4	26.9	27.1
Veterans' benefits	24.8	25.9	25.9	26.6	26.7	26.4
International affairs	9.0	12.6	12.3	14.1	17.2	16.5
Agriculture	22.2	10.2	11.8	14.3	15.1	16.4
National resources and environment	12.7	12.2	12.3	11.8	11.6	12.0
General science	7.7	8.2	8.3	8.4	8.7	8.6
Community development	6.9	7.3	7.3	7.7	7.7	8.2
Revenue sharing	6.5	6.7	6.8		6.5	6.5
Justice	5.1	5.9	5.9	6.2	6.2	6.1
General government	4.8	5.3	5.1	5.7	5.6	5.6
Energy	4.0	2.4	2.5	3.4	2.8	4.1
Commerce and housing credit	4.4	4.6	4.4	1.6	0.3	2.0
Interest	89.8	109.4	111.1	117.9	130.2	133.8
Allowances			0.6	1.5	1.0	- 0.7
Undistributed offsetting receipts	-34.0	-16.2	-16.0	-34.6	-33.8	-33.2

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



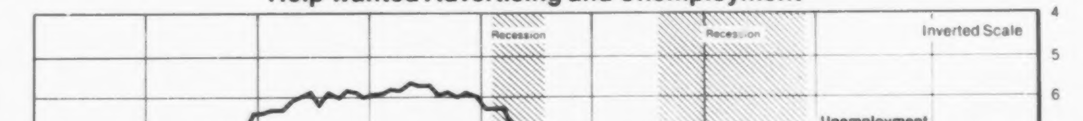
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Oct.	Sept.	Aug.	Oct.
Total Index **51 papers**	136	129	128	111
New England	153	144	146	120
Boston	164	153	155	136
Hartford	155	161	157	112
Providence	113	96	106	74
Middle Atlantic	63	62	60	53
Albany	119	128	95	94
Allentown	186	150	150	126
New York	53	54	52	48
Philadelphia	58	55	53	49
Pittsburgh	56	55	55	47
Rochester	74	70	73	54
Syracuse	101	100	106	75
East North Central	82	78	79	63
Chicago	100	96	102	80
Cincinnati	116	97	85	76
Cleveland	56	57	55	42
Columbus	113	110	102	81
Dayton	57	59	63	47
Detroit	60	50	49	46
Gary	96	100	103	91
Indianapolis	83	80	78	62
Milwaukee	52	57	52	41
Toledo	85	87	85	70
West North Central	88	85	85	67
Kansas City	132	117	146	102
Minneapolis	82	80	66	57
Omaha	116	122	131	99
St. Louis	59	60	56	47
South Atlantic	162	147	148	125
Atlanta	312	275	254	224
Baltimore	96	88	111	71
Charlotte	148	137	134	108
Jacksonville	189	176	192	148
Miami	81	82	78	85
Richmond	92	93	92	67
Washington, D.C.	166	147	146	131
East South Central	133	118	118	103
Birmingham	131	121	129	102
Knoxville	193	174	191	158
Louisville	75	70	72	57
Memphis	104	104	86	84
Nashville	203	154	155	146
West South Central	272	265	266	264
Dallas	387	370	362	378
Houston	338	332	333	344
New Orleans	125	119	125	120
Oklahoma City	144	144	160	129
San Antonio	204	196	195	173
Tulsa	145	159	156	118
Mountain	317	303	292	244
Denver	NA	205	205	175
Phoenix	472	419	377	343
Salt Lake City	336	330	340	240
Pacific	202	194	187	164
Los Angeles	153	148	145	128
Sacramento	320	309	304	261
San Bernardino	221	167	151	136
San Diego	421	431	380	323
San Francisco	215	202	200	176
Seattle	185	191	190	170
Percentage of papers with rising volume	65%	57%	16%	92%
Unemployment rate	7.4%	7.4%	7.5%	8.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

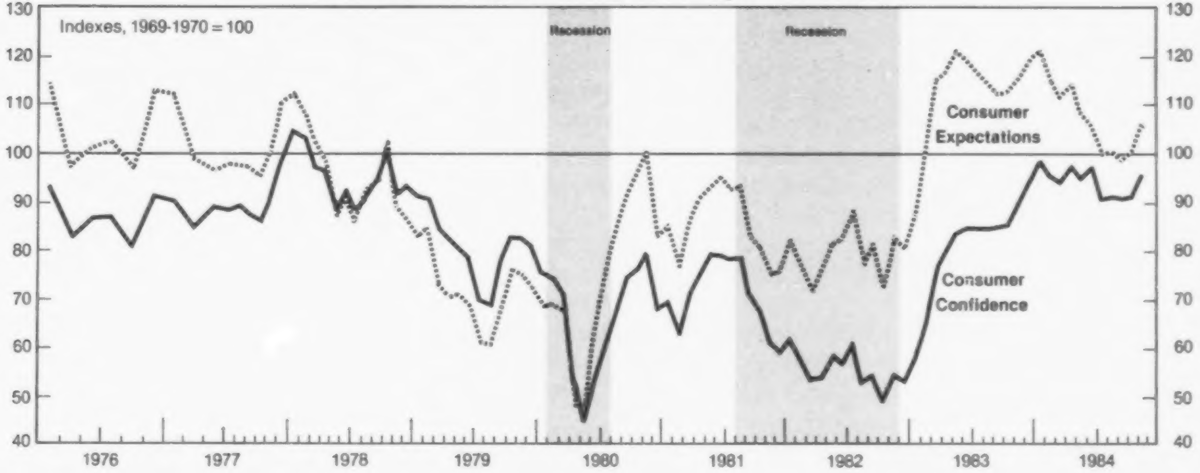
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5r	96.1p	
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	69.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5r	97.7p	

Confidence index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

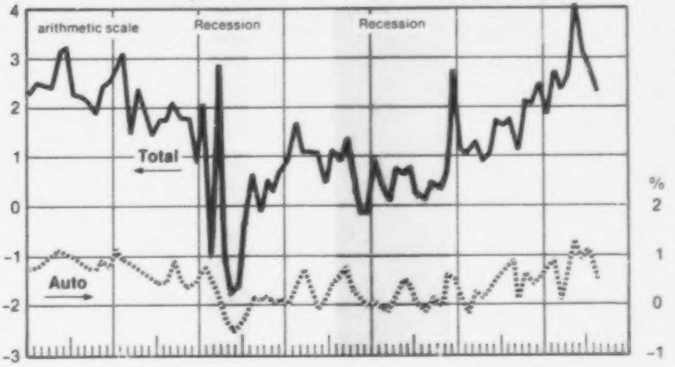
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

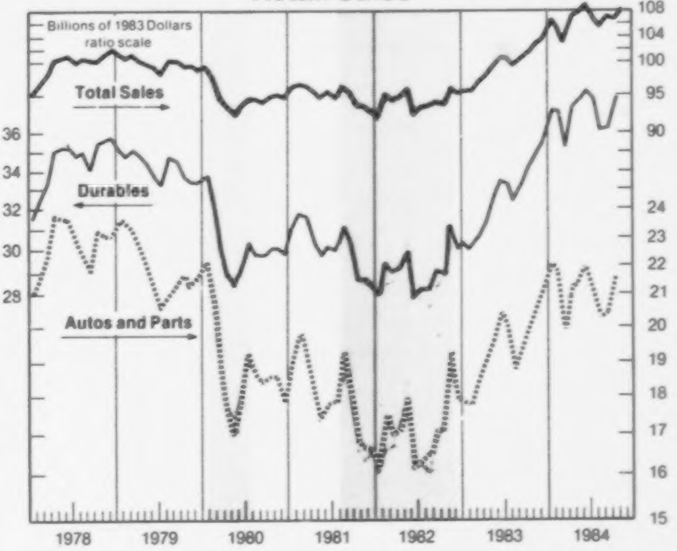
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



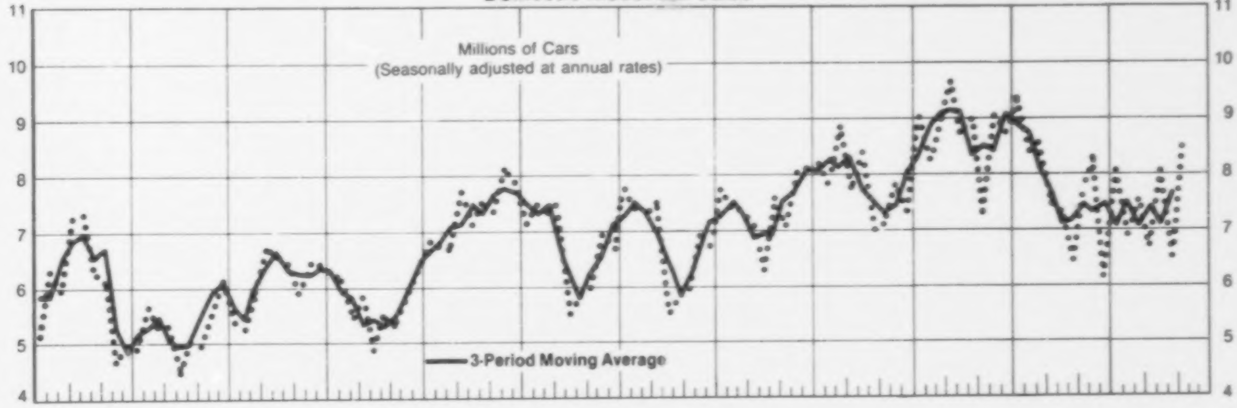
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

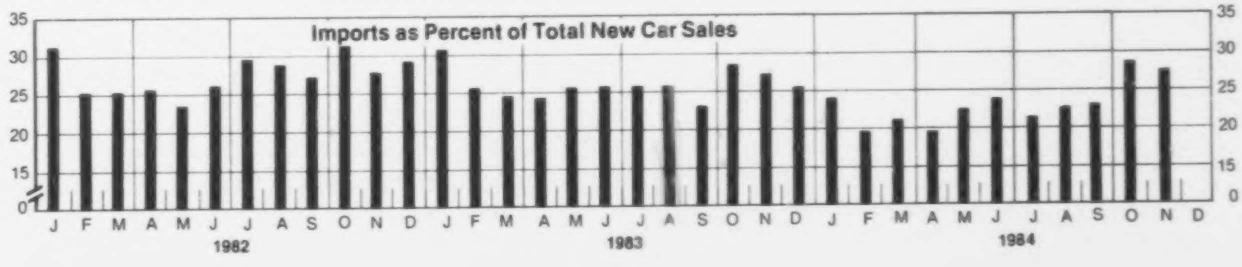
Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.49	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.65	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	8.39
	21-31	5.89	5.30	7.37	8.53
August:	1-10	7.31	5.35	7.51	7.45
	11-20	6.98	4.52	5.53	7.30
	21-31	7.49	5.05	5.88	6.47
September:	1-10	6.88	4.93	5.98	7.76
	11-20	5.73	6.54	6.99	8.25
	21-30	6.36	6.19	6.64	6.12
October:	1-10	5.29	5.40	7.78	8.10
	11-20	5.27	5.25	7.40	6.92
	21-31	5.43	5.80	7.31	7.55
November:	1-10	5.71	6.71	7.13	6.75
	11-20	4.72	6.64	6.23	8.03
	21-30	5.64	6.45	7.59	6.54
December:	1-10	5.14	5.83	7.06	8.46
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

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Volume 18, No. 1, January, 1985

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The Conference Board

COMMENT

One of today's not-so-trivial pursuits is trying to figure out which will return first—recession or Halley's comet. Economic activity is rather sluggish right now. The Federal Reserve, faced with a precipitous drop in economic growth in the second half of 1984 and with market concern that drift could turn into recession in 1985, adopted a more stimulative stance at year's end: Money supply was allowed to expand a little more vigorously and the prime interest rate to fall below 11% for the first time in a year and a half. That jolt of financial tonic has added a little pep to an otherwise anemic pace of market activity. The *Economic Forecasts* indicate that real growth over the next two years is now more likely to be a little stronger than the weak pace of the last half of 1984, but nothing to stand up and cheer about. Further, the extra monetary thrust today heightens the possibility of more inflation tomorrow. It is widely believed that, some day, the bill for successive budget and trade deficits will have to be paid. Financial stimulus buys time, but there is no free lunch.

The sharp slowing of economic growth in the second half of 1984 was not the first stage of a slide into recession. Consumers are still spending and business is still investing. A significant slice of what is sold, however, is produced abroad but priced attractively here—thanks to an overvalued dollar. Domestic supply, then, is rising more slowly than demand. Producers are keeping operating rates in line with sales and no inventory glut has developed. It seems as if the impossible has been accomplished: The economy has managed a soft landing—a sharp slowdown without a crash.

Consumer demand has not shown much spark in recent months but some analysts expect it to get a lift from the recent decline in interest rates. Retail sales, adjusted for inflation, fell in July and August, then rebounded in the succeeding three months—but only back to the level of last June. Sales of the cyclicaly sensitive durable goods were more or less flat in the second half of 1984. New, domestic *Automobile Sales*, for example, were running at a seasonally adjusted 7½ to 8½ million annual rate in this period. Moreover, housing starts were declining, reflecting a resistance to paying stiff finance charges. As the decline in interest rates spreads to consumer loans, both car sales and housing starts might benefit. On the other hand, the relatively slow pace of domestic production keeps incomes from growing faster.

Personal income, adjusted for inflation, grew at just over a 3% annual rate in the second half of 1984. That gain in spending power should add vigor to consumer demand. On the other hand, consumer attitudes have dampened a bit. The Conference Board's *Consumer Confidence Index* was a 97.9 (1969-1970 = 100) in April, 1984; drifted down to 91 by July; recovered to 96.3 by November; but then fell to 85.6 in December. These readings reflect not only a lower appraisal of present business conditions but skepticism that significant improvement is in store over the next six months. Domestic *Automobile Sales* may not move above an 8½ million annual rate through 1985. Domestic producers have, nonetheless, raised their prices a bit more than had been anticipated. That step is not likely to increase potential sales in the near term. Nor are housing starts likely to rise much above their present level in the next twelve months unless mortgage rates drop more sharply than anticipated.

Business demand for plant and equipment remains stronger than consumer demand for cars and homes. But business executives are no more convinced that robust economic expansion is around the corner than are consumers. The Conference Board's *Measure of Business Confidence* peaked at a record of 76 (on a scale of 0-100) in the second and third quarters of 1983. This series gradually slid to 57 by November, 1984, as exuberance sobered to a measured confidence in continued moderate economic growth.

Industrial production rose by just under 3%, at annual rate, in the last quarter of 1984. Even that moderate pace allowed for some inventory rebuilding. Clearly, the inroads made by imports are keeping domestic production schedules below maximum operating rates. The capacity utilization rates first approached 82% almost a year ago, and seemed destined to move quickly into the maximum operating range. An already superstrong dollar, however, continued to soar, imports flooded into domestic markets, and the capacity utilization rates remained close to the 82% mark through the rest of the year. Some modest increase in consumer demand, somewhat stronger gains in business investment, continued demand for defense-related materiel, and a rise in demand from the state and local government sector could induce an increase of just under 4% in industrial production in 1985.

Economic growth roared into 1984 like a lion but went out like a lamb—10.1% rise in real GNP in the first quarter but only 2.7% in the fourth quarter, seasonally adjusted annual rates. The *Economic Forecasts* indicate

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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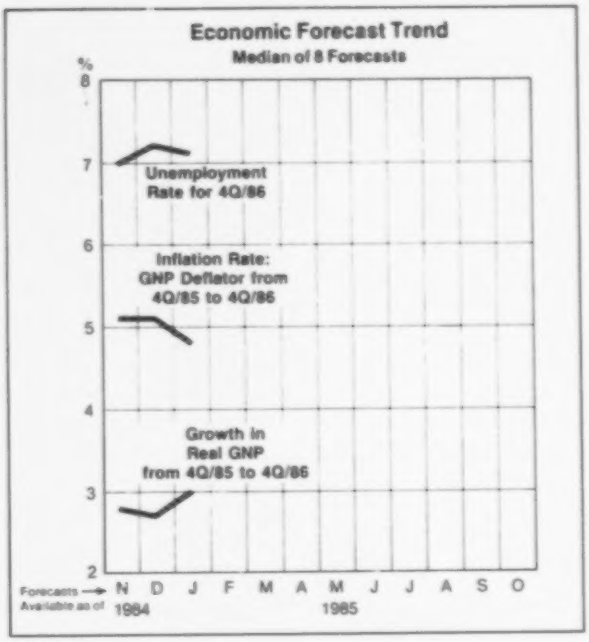


that growth will improve in the first half of 1985, thanks to a little more money growth and the decline in interest rates. The median forecast for growth in real GNP is 3.2% in the first quarter of 1985 and 3.8% in the second. However, interest-rate declines have apparently run their course for the moment. In fact, rates may rise a little through the first half of 1985. If they do, that will serve as more fuel for the superstrong dollar, further discounting the prices of imports and, hence, further limiting growth in domestic production. The median forecast for economic growth drops to 3.5% in the third quarter of 1985 and a meager 2.9% in the fourth. And that may be the good news.

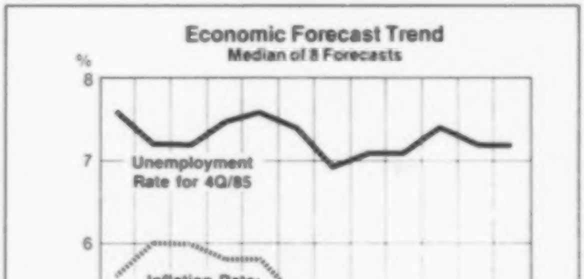
The *Economic Forecasts* indicate that the rise in the GNP price deflator will remain firmly planted in a range of 4 to 5%, seasonally adjusted annual rate, through the forecast horizon (fourth quarter of 1986). With inflation firmly under control at the moment, the Federal Reserve has room to relax its long-held anti-inflationary stance. Hence, the recent decline in interest rates. Financial markets, however, worry that a mix of stimulative fiscal policy and accommodative monetary policy will sabotage a hard-won victory over inflation. Nor are market players that convinced that the forecasters have correctly divined the future trend in inflation. Many agree with the analyst who said that the sole useful function of economics is to keep economists employed.

If the Federal Reserve allows rates to rise in the first half of 1985, the dollar is likely to get even stronger and the trade deficit deeper, causing production growth to fall back. There may be more room to maneuver on the accommodative side at the moment, but not much more. The *Economic Forecasts* indicate that, unless the long-festering deficit (budget and trade) problems are substantially addressed, and the dollar not only stops going up but starts coming down, real GNP growth in 1986 may not even match the modest record expected in 1985. The median of the forecasts for real output is a sluggish 2.8% rise in the first quarter of 1986, 3.0% in the second, 3.2% in the third, and 3.5% in the fourth quarter (last quarter in the forecast horizon).

The *Economic Forecasts* are suggesting that the pace of activity this year and next will only be strong enough to keep unemployment from rising, not high enough to reduce it. An unemployment rate just over 7% is likely to prevail over the next eight quarters.

Interest rates have come down, economic growth has slowed and inflation prospects have gone up a bit. The already overvalued dollar, however, continues to appreciate in value. Analysts suggest that focusing on the dollar's obvious negative aspects yields no clues as to when it will begin to decline. The markets are not blind to the dollar's shortcomings. Neither are they blind to the shortcomings of other currencies. When another currency offers an advantage over the dollar, the dollar will come down.

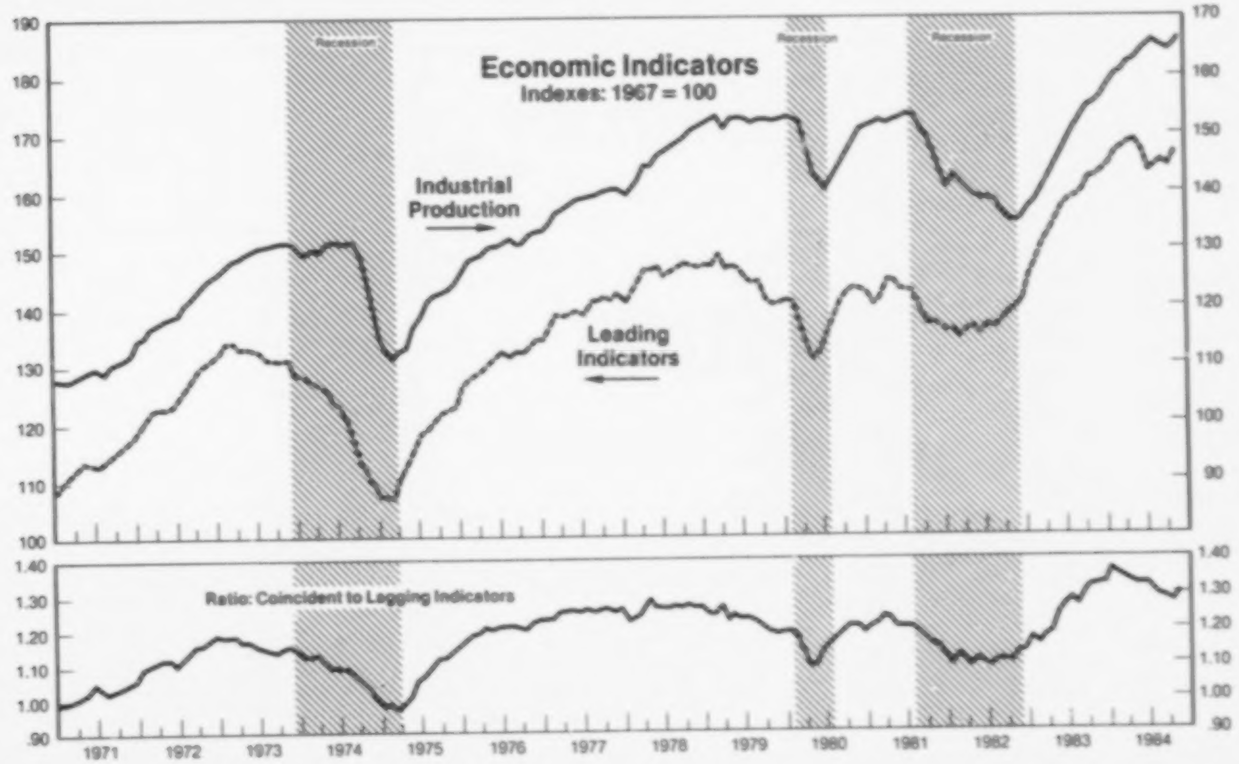
Ken Goldstein
January 11, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov.	X			+ 1.6%	+ 2.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Nov.		X		+ 5.3%	+ 15.6%
New orders, nondefense capital goods (deflated)	Nov.		X		+ 5.3%	+ 16.0%
*New business formation	Nov.	X			+ 2.0%	+ 2.4%
*Housing permits	Nov.	X			+ 5.7%	− 3.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov.		X		− 7.4%	+ 1.0%
*Change in inventory, on hand & order (deflated)	Oct.		X		+ 1.6%	+ 4.2%
Purchasing agents' buying policy	Dec.			X	− 7 %	− 7 %
*Vendor performance, reported slower deliveries	Dec.			X	− 13 %	− 22 %
Industrial raw materials prices	Dec.			X	− 4.4%	− 7.3%
*Change in sensitive material prices	Nov.		X		+ 0.6%	− 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Nov.	X			+ 1.5%	+ 3.4%
Change in business loans	Nov.		X		+28.0%	+ 19.6%
*Change in credit outstanding	Nov.			X	+ 0.2%	− 0.5%
Change in consumer installment debt	Oct.		X		−10.0%	+ 14.2%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q			X	− 8.3%	− 5.0%
*Common stock prices	Dec.		X		− 1.0%	+ 0.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Dec.		X		+ 0.1hr	+ 0.1hr
*Initial unemployment claims (inverted)	Dec.			X	−15.5%	−12.4%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



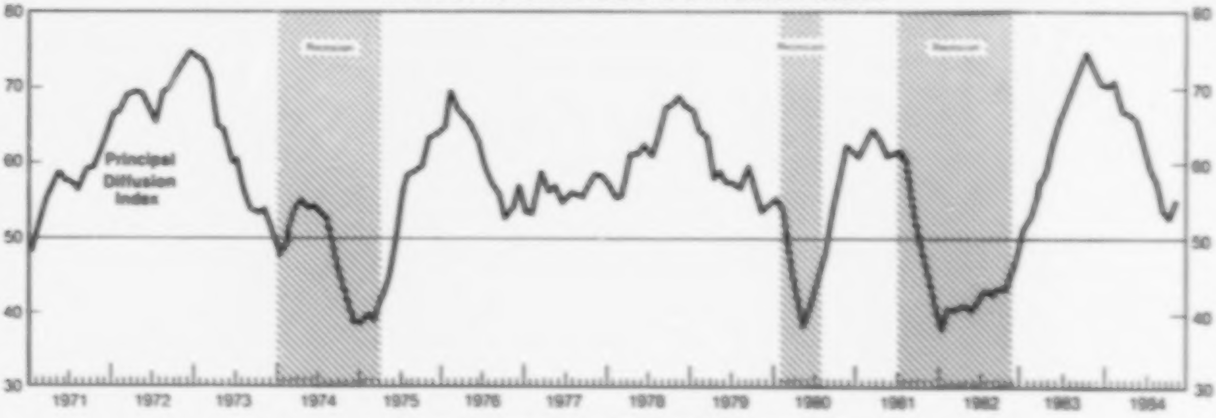
CONFERENCE BOARD DIFFUSION INDEXES

	1983	1984			
DIFFUSION INDEXES	Nov.	Aug.	Sept.	Oct.	Nov.(e)
Principal Diffusion Index	70.2	57.9r	53.8r	52.2r	54.9
Auxiliary Diffusion Index	41.1	46.1r	36.7r	44.8r	58.5
Industrial Group	74.9	58.7r	53.6r	50.1r	54.2
Nonindustrial Group	65.4	57.2r	54.1r	54.4r	55.5
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	75.9	60.7	51.7	49.1r	57.5
Labor	75.1	53.8r	53.8r	52.3r	56.0
Miscellaneous	73.1	67.9	56.4	46.2	44.9
Nonindustrial Subgroups					
Prices	67.3	46.2	45.5	37.8	46.2
Consumer	73.5	63.7	63.2r	67.9r	72.8
Building	65.4	57.7	56.4	56.1r	46.2
Miscellaneous	56.0	57.7r	49.1r	51.3r	50.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982			1983				1984			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	76	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead......................	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983				1984			Percent Change From Previous Year		
	Ir	IIr	IIIr	IVr	Ir	IIr	IIIp	1983 Actual	1984 Estimated	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.072	20.874	22.875	24.262	26.816	37.154	28.720	1	38	-13
Capital expenditures	19.108	18.664	18.244	19.560	19.905	21.808	23.751	−23	20	12
Change in appropriations backlog*	−1.160	+0.982	+1.988	+0.928	+5.152	+13.867	+3.797			
Durable Goods										
New appropriations	8.130	9.293	9.119	11.024	13.662	21.216	13.307	−17	64	−30
Capital expenditures	7.942	7.717	7.667	8.727	8.714	10.033	11.342	−19	32	− 4
Change in appropriations backlog*	−0.676	+0.887	+1.466	+0.819	+4.057	+10.843	+1.726			
Nondurable Goods										
New appropriations	11.942	11.581	13.666	13.238	13.154	45.055	15.413	− 9	18	14
Capital expenditures	11.166	10.947	10.577	10.833	11.191	11.775	12.409	−26	12	25
Change in appropriations backlog*	−0.484	+0.095	+0.522	+0.109	+1.095	+3.024	+2.071			
ELECTRIC & GAS UTILITIES										
New appropriations	7.614	6.663	5.831	6.968	5.335	8.385	10.801			
Capital expenditures	8.996	9.236	9.024	8.292	8.757	9.150	9.127			
Change in appropriations backlog*	−4.916	−6.849	−3.913	−4.056	−5.799	−2.466	.546			

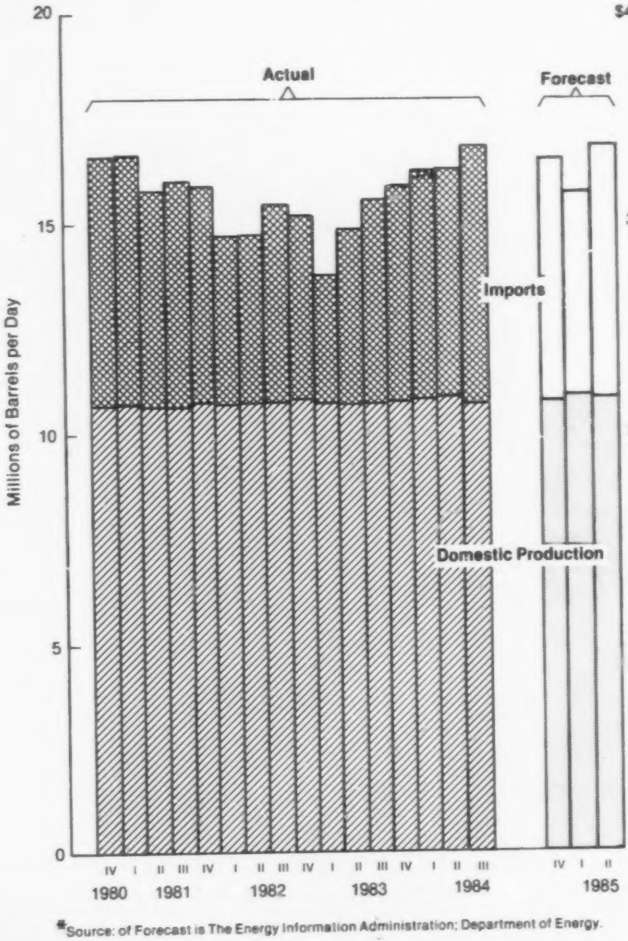
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

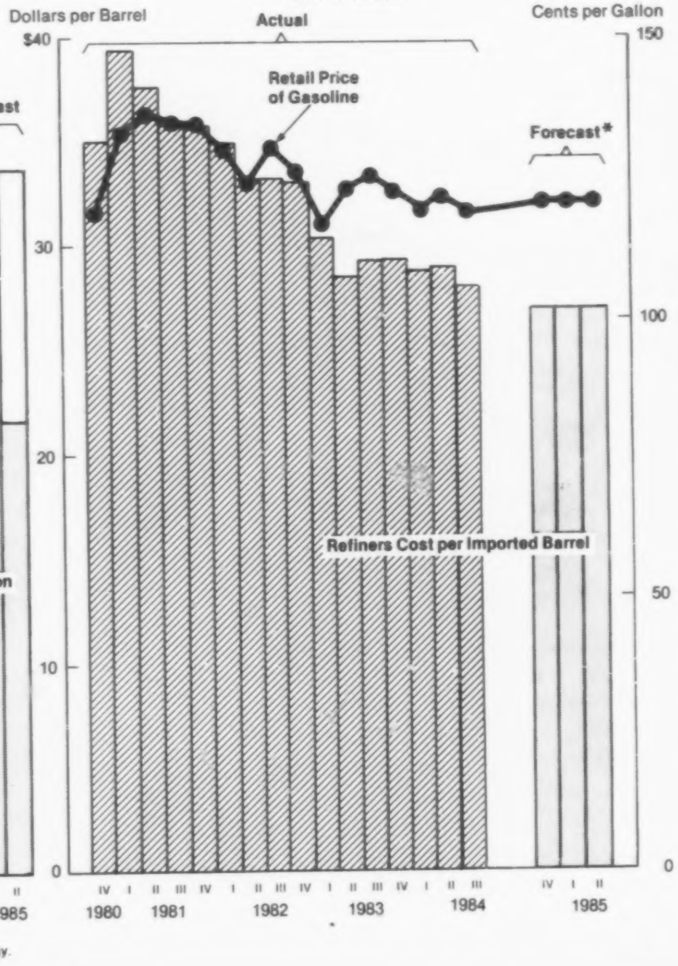
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



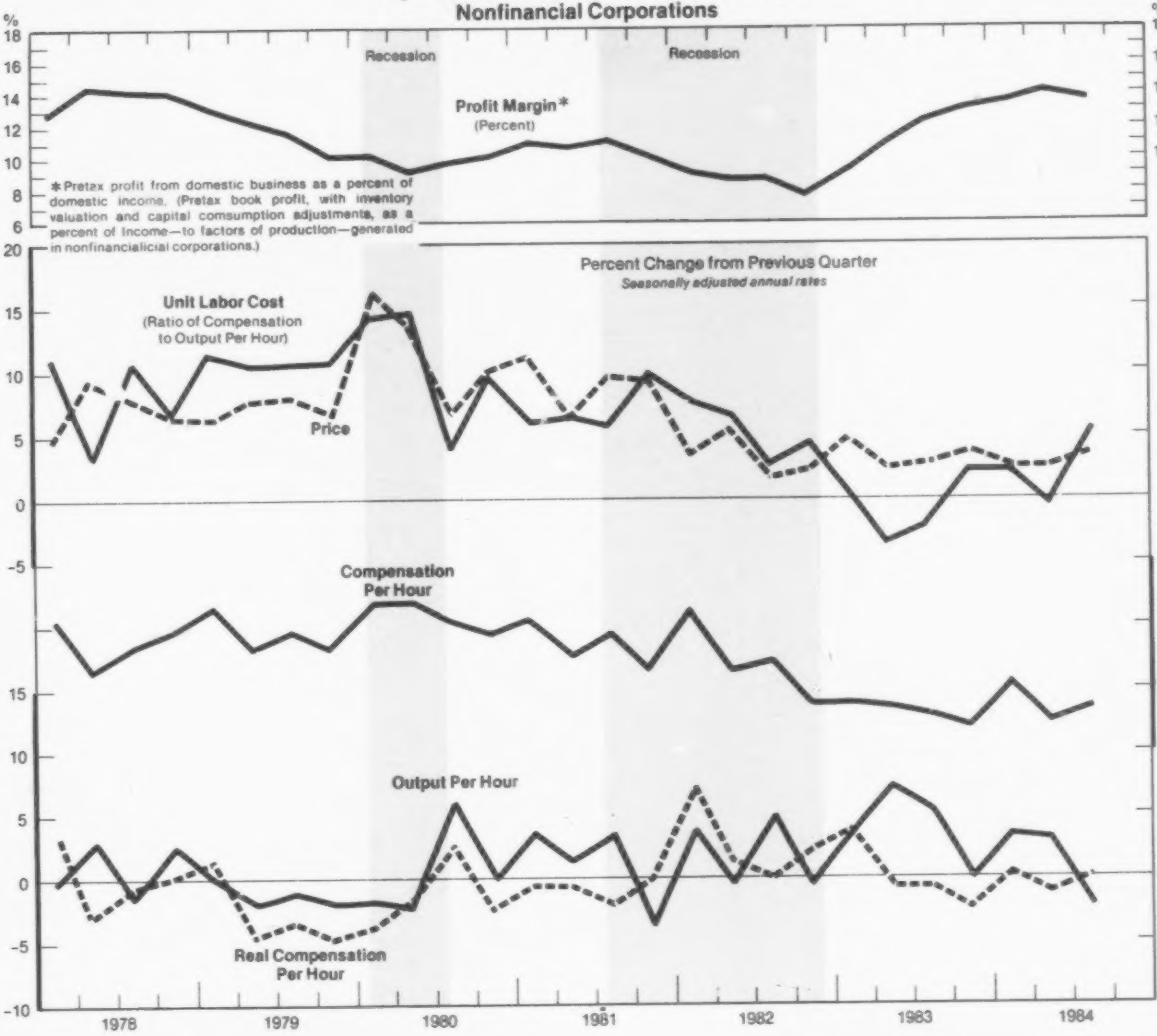
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy.

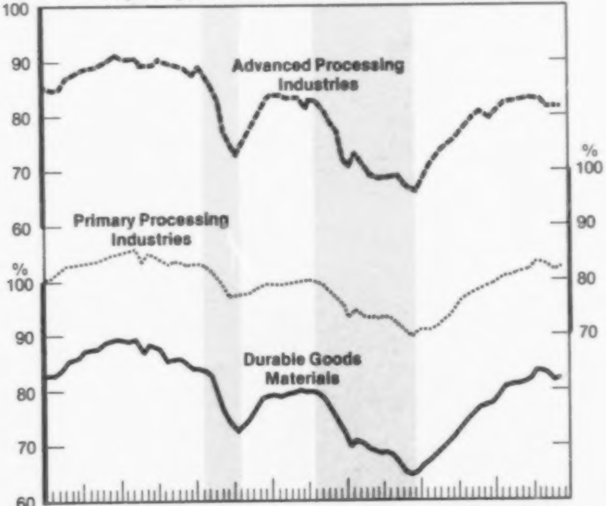
Key Determinants of Profit Margin

Nonfinancial Corporations

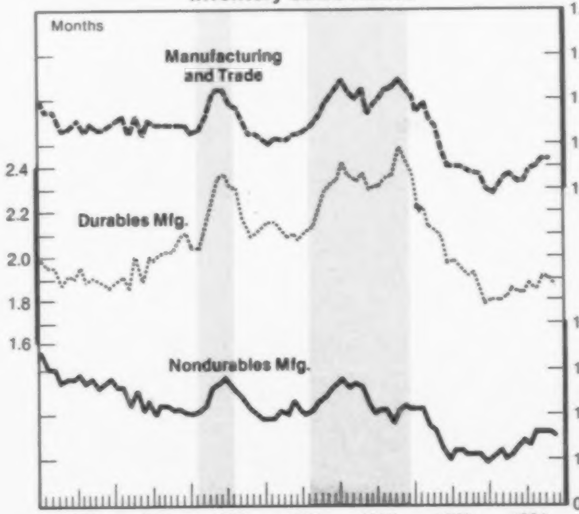


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*Dec., 1984*		*Dec., 1984*		*Dec., 1984*		*Dec., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**III**	**$3694.6**	**5.6%**	**$3694.6**	**5.6%**	**$3694.6**	**5.6%**	**$3694.6**	**5.6%**
		IV	3748.1	5.9	3756.2	6.8	3743.7	5.4	3753.1	6.5
	1985	I	3817.6	7.6	3838.5	9.1	3799.3	6.1	3820.9	7.4
		II	3902.5	9.2	3911.2	7.8	3880.8	8.9	3893.5	7.8
		III	3979.7	8.2	3989.2	8.2	3969.5	9.5	3960.5	7.1
		IV	4056.6	8.0	4067.8	8.1	4059.2	9.3	4026.4	6.8
	1986	I	4145.8	9.1	4134.7	6.7	4138.0	8.0	4080.0	5.4
		II	4244.1	9.8	4204.7	6.9	4207.2	6.9	4160.9	8.2
		III	4347.9	10.1	4289.4	8.3	4275.9	6.7	4248.7	8.7
		IV	4455.2	10.2	4379.4	8.7	4323.8	4.6	4344.5	9.3
	1984	Annual	3660.2	10.8	3662.2	10.8	3659.1	10.7	3661.4	10.8
	1985	Annual	3939.1	7.6	3951.7	7.9	3927.2	7.3	3925.3	7.2
	1986	Annual	4298.3	9.1	4252.1	7.6	4236.2	7.9	4208.5	7.2
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**III**	**$1645.2**	**1.6%**	**$1645.2**	**1.6%**	**$1645.2**	**1.6%**	**$1645.2**	**1.6%**
		IV	1656.2	2.7	1656.7	2.8	1656.5	2.8	1657.0	2.9
	1985	I	1670.5	3.5	1675.1	4.5	1670.0	3.3	1668.5	2.8
		II	1693.0	5.5	1685.5	2.5	1691.0	5.1	1683.3	3.6
		III	1710.9	4.3	1699.5	3.4	1711.0	4.8	1692.5	2.2
		IV	1724.5	3.2	1715.3	3.8	1731.0	4.8	1699.6	1.7
	1986	I	1741.4	4.0	1724.6	2.2	1746.0	3.5	1700.0	.1
		II	1761.1	4.6	1733.2	2.0	1753.0	1.6	1713.0	3.1
		III	1781.0	4.6	1748.7	3.6	1756.0	.7	1725.7	3.0
		IV	1799.5	4.2	1765.6	3.9	1747.0	–2.0	1740.6	3.5
	1984	Annual	1637.8	6.7	1637.9	6.7	1637.8	6.7	1638.0	6:7
	1985	Annual	1699.7	3.8	1693.9	3.4	1700.8	3.8	1686.0	2.9
	1986	Annual	1770.8	4.2	1743.0	2.9	1750.5	2.9	1719.8	2.0
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**III**	**224.6**	**3.9%**	**224.6**	**3.9%**	**224.6**	**3.9%**	**224.6**	**3.9%**
		IV	226.3	3.1	226.7	3.9	226.0	2.6	226.5	3.5
	1985	I	228.5	4.0	229.2	4.3	227.5	2.7	229.0	4.5
		II	230.5	3.5	232.0	5.2	229.5	3.6	231.3	4.1
		III	232.6	3.7	234.7	4.7	232.0	4.4	234.0	4.8
		IV	235.2	4.6	237.1	4.2	234.5	4.4	236.9	5.0
	1986	I	238.1	4.9	239.7	4.5	237.0	4.3	240.0	5.3
		II	241.0	5.0	242.6	4.8	240.0	5.2	242.9	4.9
		III	244.1	5.3	245.3	4.5	243.5	6.0	246.2	5.5
		IV	247.6	5.8	248.0	4.6	247.5	6.7	249.6	5.6
	1984	Annual	223.5	3.8	223.6	3.8	223.4	3.8	223.5	3.8
	1985	Annual	231.7	3.7	233.3	4.3	230.9	3.4	232.8	4.2
	1986	Annual	242.7	4.7	243.9	4.6	242.0	4.8	244.7	5.1
Unemployment Rate										
Actual	**1984**	**III**		**7.5%**		**7.5%**		**7.5%**		**7.5%**
		IV		7.3		7.2		7.2		7.3
	1985	I		7.5		6.9		7.1		7.3
		II		7.4		7.0		7.1		7.1
		III		7.3		7.1		7.0		7.1
		IV		7.2		7.0		6.7		7.1
	1986	I		7.2		7.2		6.5		7.3
		II		7.1		7.3		6.6		7.3
		III		6.9		7.0		6.6		7.2
		IV		6.8		6.9		7.0		7.1
	1984	Annual		7.5		7.5		7.5		7.5
	1985	Annual		7.4		7.0		7.0		7.2
	1986	Annual		7.0		7.1		6.7		7.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (2nd revision) third quarter data.

ECONOMIC FORECASTS (continued)

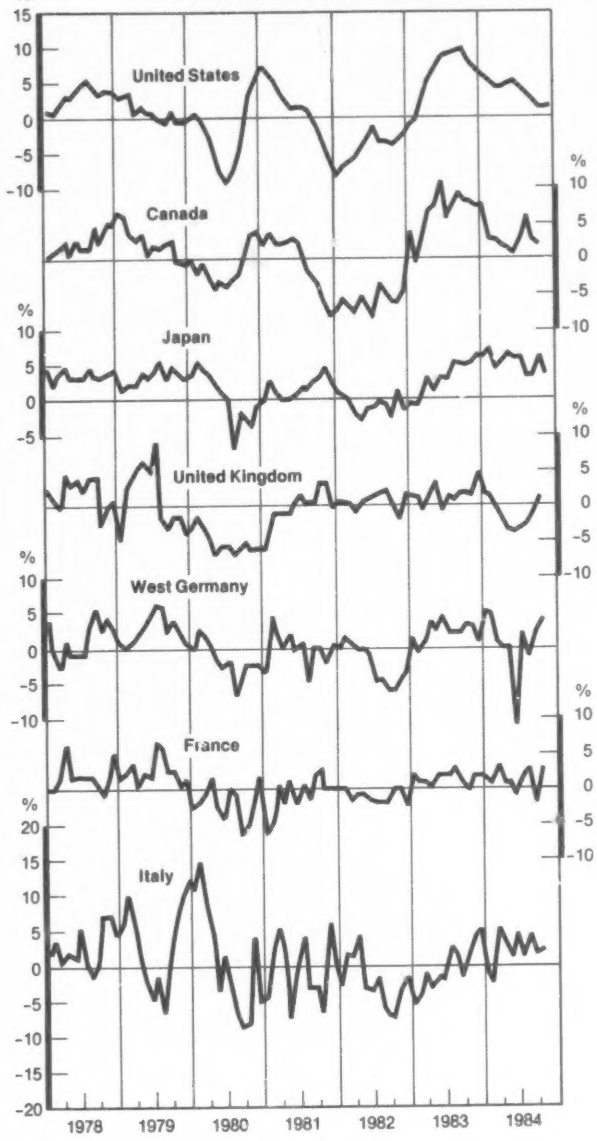
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Dec., 1984		*Dec., 1984*		*Dec., 1984*		*Dec., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3694.6	**5.6%**	**$3694.6**	**5.6%**	**$3694.6**	**5.6%**	**$3694.6**	**5.6%**	**III**	**1984**	**Actual**
3736.0	4.6	3757.5	7.0	3748.1	5.9	3744.9	5.6	IV		
3796.0	6.6	3822.0	7.0	3797.3	5.4	3821.6	8.4	I	1985	
3879.0	9.0	3899.2	8.3	3854.2	6.1	3906.6	9.2	II		
3956.0	8.2	3983.8	9.0	3914.3	6.4	3987.0	8.5	III		
4024.0	7.0	4037.4	5.5	3975.1	6.4	4062.5	7.8	IV		
4098.0	7.6	4090.2	5.3	4043.7	7.1	4144.0	8.3	I	1986	
4187.0	9.0	4163.4	7.4	4114.5	7.2	4220.7	7.6	II		
4267.0	7.9	4244.0	8.0	4188.8	7.4	4301.6	7.9	III		
4352.0	8.2	4328.3	8.2	4272.3	8.2	4382.1	7.7	IV		
3657.2	10.7	3662.5	10.8	3660.2	10.8	3659.4	10.7	Annual	1984	
3913.8	7.0	3935.6	7.5	3885.2	6.1	3944.4	7.8	Annual	1985	
4226.0	8.0	4206.5	6.9	4154.8	6.9	4262.1	8.1	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1645.2	**1.6%**	**$1645.2**	**1.6%**	**$1645.2**	**1.6%**	**$1645.2**	**1.6%**	**III**	**1984**	**Actual**
1655.4	2.5	1654.2	2.2	1656.2	2.7	1655.2	2.5	IV		
1667.5	2.9	1665.4	2.7	1661.6	1.3	1671.4	4.0	I	1985	
1683.8	4.0	1678.9	3.3	1672.7	2.7	1691.5	4.9	II		
1693.3	2.3	1693.5	3.5	1685.9	3.2	1709.2	4.3	III		
1699.4	1.4	1697.3	.9	1696.5	2.5	1724.5	3.6	IV		
1709.7	2.4	1701.2	.9	1709.4	3.1	1739.7	3.6	I	1986	
1724.3	3.5	1712.5	2.7	1722.6	3.1	1752.1	2.9	II		
1737.0	3.0	1726.0	3.2	1736.8	3.3	1765.9	3.2	III		
1750.0	3.0	1741.5	3.6	1752.0	3.5	1779.7	3.2	IV		
1637.6	6.7	1637.3	6.7	1637.8	6.7	1637.5	6.7	Annual	1984	
1686.0	3.0	1683.8	2.8	1679.2	2.5	1699.2	3.8	Annual	1985	
1730.3	2.6	1720.3	2.2	1730.2	3.0	1759.3	3.5	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
224.6	**3.9%**	**224.6**	**3.9%**	**224.6**	**3.9%**	**224.6**	**3.9%**	**III**	**1984**	**Actual**
225.7	2.0	227.1	4.7	226.3	3.1	226.3	3.0	IV		
227.6	3.5	229.5	4.2	228.5	4.0	228.6	4.3	I	1985	
230.4	4.9	232.2	4.9	230.4	3.3	231.0	4.1	II		
233.6	5.8	235.2	5.3	232.2	3.1	233.3	4.1	III		
236.8	5.5	237.9	4.5	234.3	3.7	235.6	4.0	IV		
239.7	5.0	240.4	4.4	236.6	3.9	238.2	4.5	I	1986	
242.8	5.3	243.1	4.5	238.9	3.9	240.9	4.6	II		
245.7	4.8	245.9	4.6	241.2	4.0	243.6	4.6	III		
248.7	5.0	248.5	4.4	243.9	4.5	246.2	4.4	IV		
223.3	3.7	223.7	3.9	223.5	3.8	223.4	3.8	Annual	1984	
232.1	3.9	233.7	4.5	231.4	3.5	232.1	3.9	Annual	1985	
244.2	5.2	244.5	4.6	240.1	3.8	242.2	4.4	Annual	1986	
								Unemployment Rate		
	7.5%		**7.5%**		**7.5%**		**7.5%**	**III**	**1984**	**Actual**
	7.2		7.1		7.3		7.2	IV		
	7.2		7.0		7.5		7.1	I	1985	
	7.0		7.0		7.5		7.0	II		
	7.2		7.1		7.6		6.8	III		
	7.6		7.2		7.6		6.7	IV		
	7.7		7.3		7.6		6.6	I	1986	
	7.5		7.3		7.6		6.6	II		
	7.5		7.2		7.6		6.6	III		
	7.5		7.1		7.6		6.6	IV		
	7.5		7.5		7.5		7.5	Annual	1984	
	7.3		7.1		7.5		6.9	Annual	1985	
	7.6		7.2		7.6		6.6	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

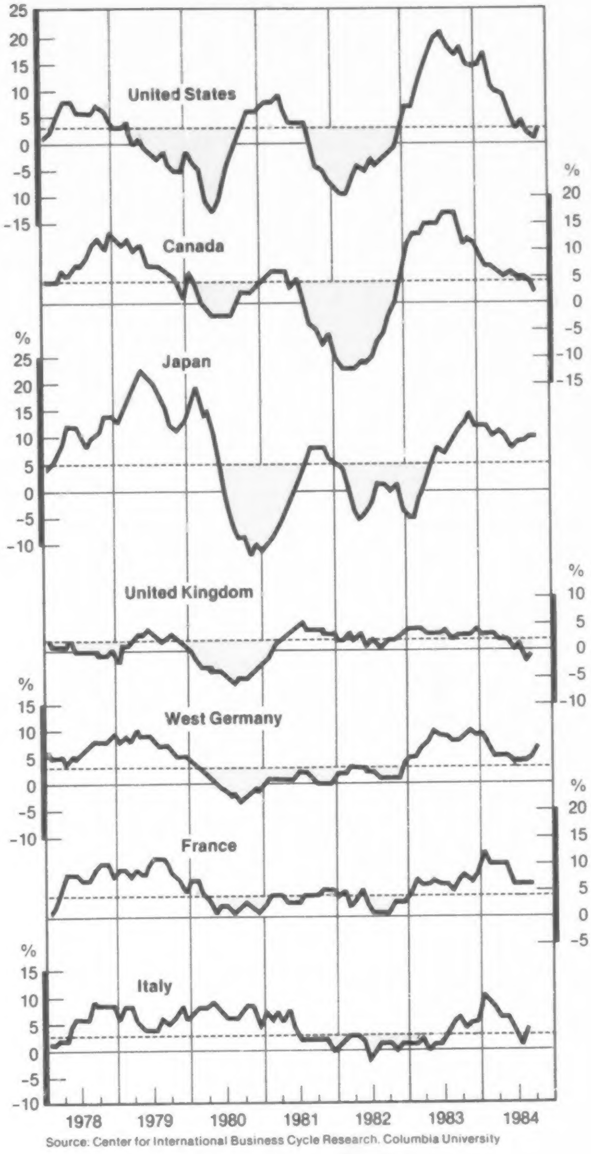
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



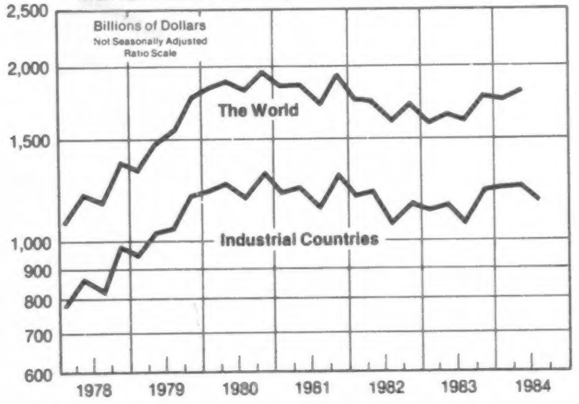
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

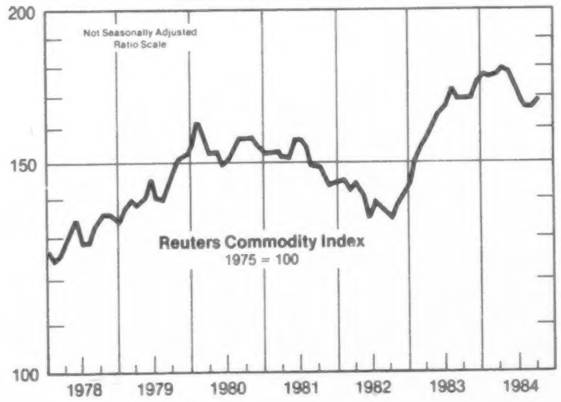


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

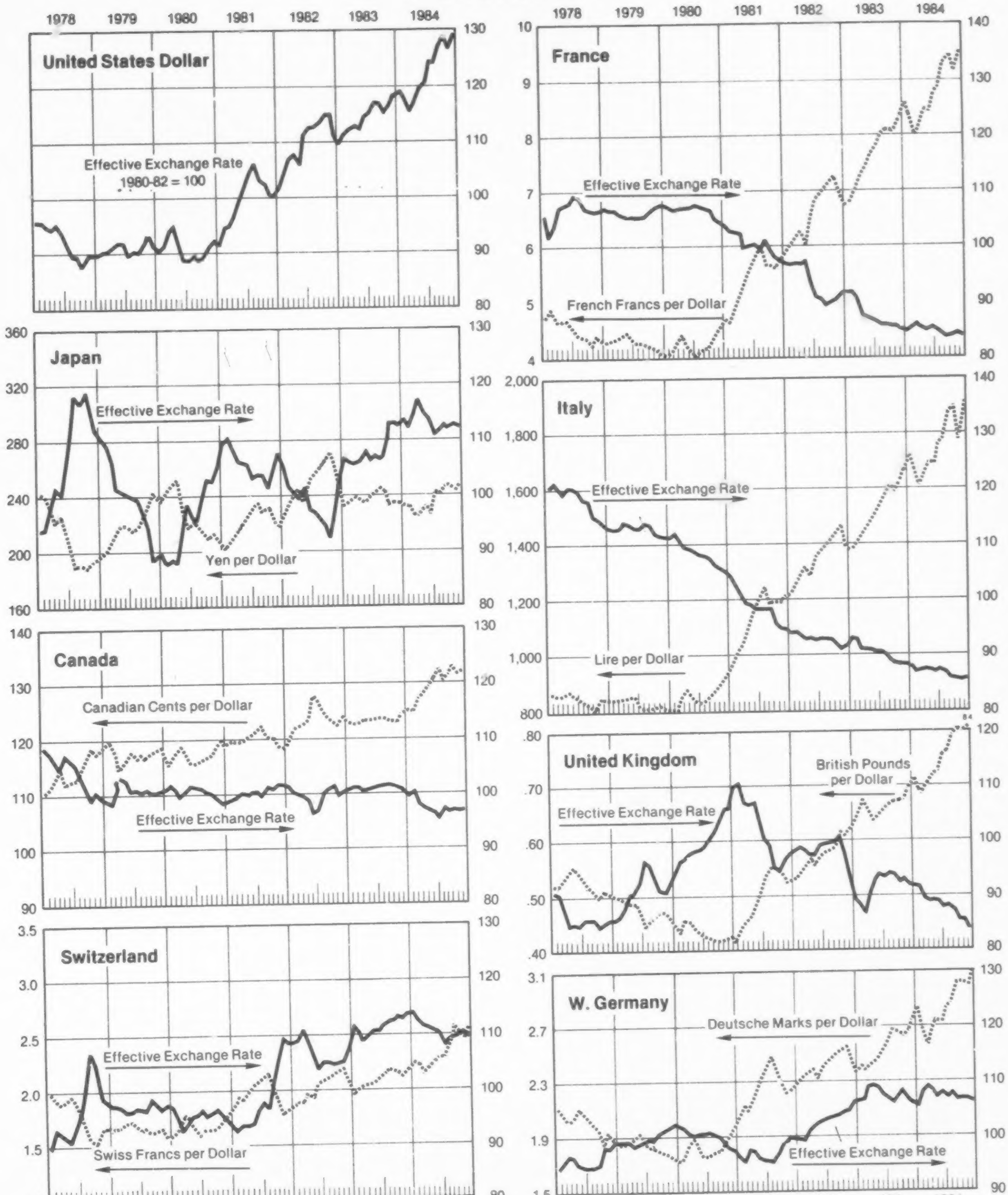


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



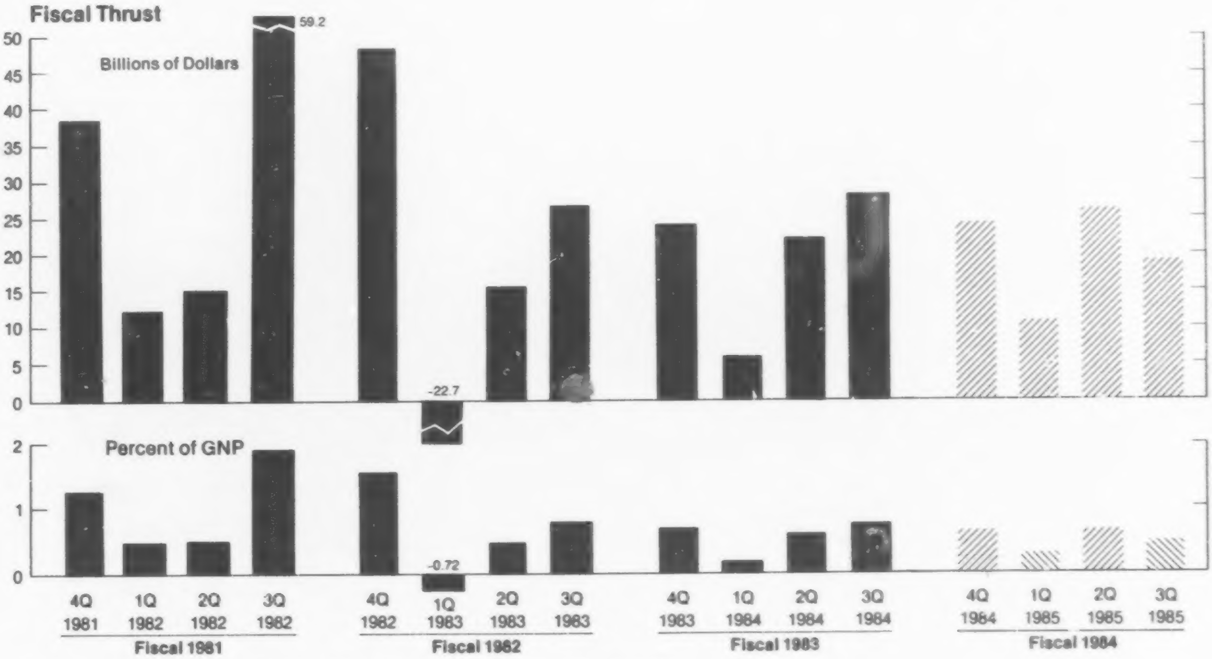
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

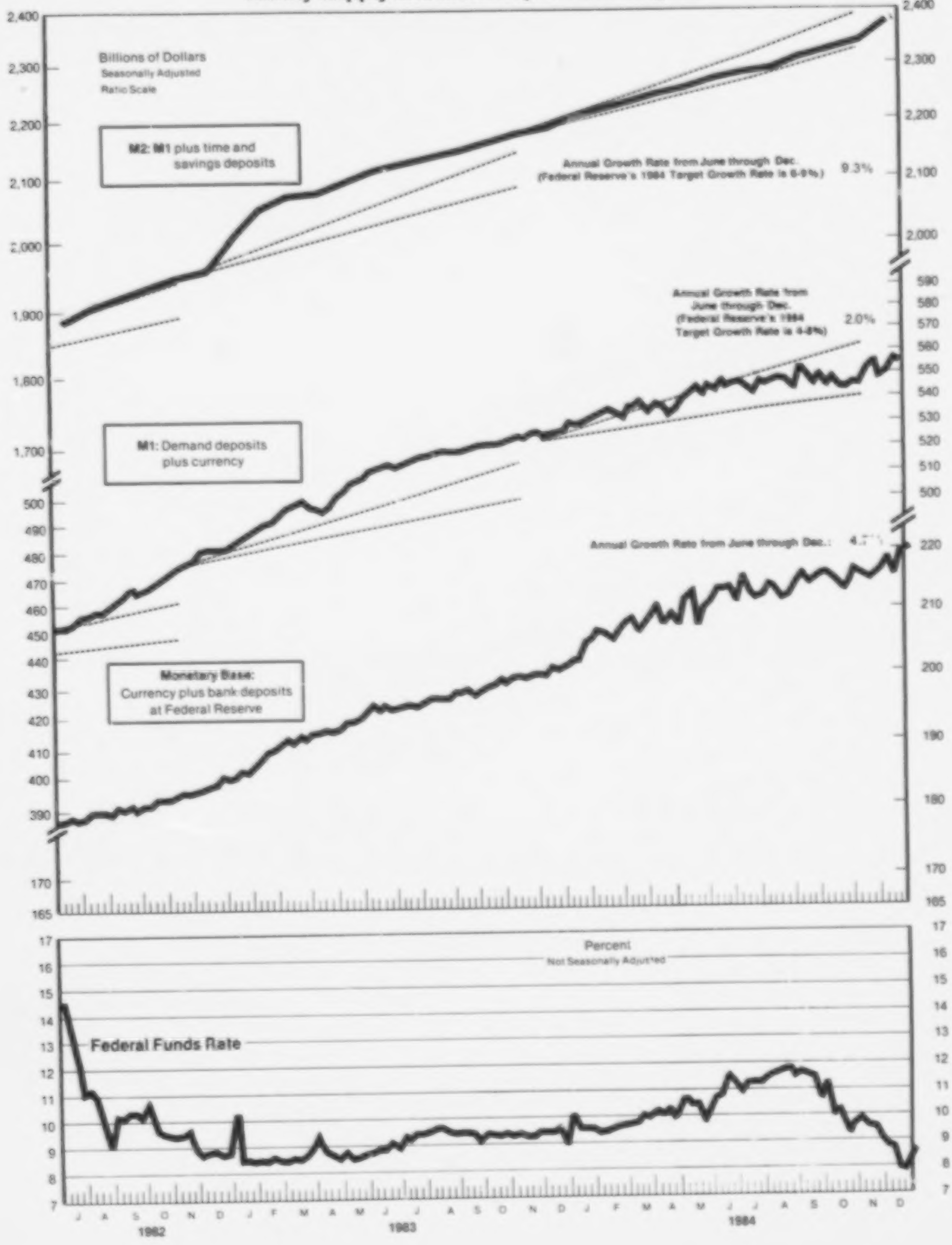
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(8/14/84)	(9/25/84)	(2/1/84)	(8/14/84)	(9/25/84)
Receipts	**600.6**	**670.7**	**672.9**	**737.3**	**763.8**	**750.9**
Outlays	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
Deficit	**-195.0**	**-174.3**	**-172.7**	**-207.7**	**-166.9**	**-131.2**
Receipts by source	**600.6**	**670.7**	**672.9**	**737.3**	**763.8**	**750.9**
Individual income taxes	288.9	299.5		323.4	341.8	
Corporate income taxes	37.0	59.0		75.5	74.3	
Social insurance	209.0	241.2		269.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
National defense	209.9	233.6	230.4	284.4	266.2	262.9
Social security and medicare	223.3	237.8	274.8	261.4	258.1	254.1
Income security	122.2	95.2		116.9	110.3	111.7
Health	28.7	30.6	89.4	34.4	33.8	34.2
Education and manpower	26.6	28.2	28.0	29.0	29.4	29.3
Transportation	21.4	25.1	24.9	27.4	26.9	27.1
Veterans' benefits	24.8	25.9	25.9	26.6	26.7	25.4
International affairs	9.0	12.6	12.3	14.1	17.2	16.5
Agriculture	22.2	10.2	11.8	14.3	15.1	16.4
National resources and environment	12.7	12.2	12.3	11.8	11.6	12.0
General science	7.7	8.2	8.3	8.4	8.7	8.6
Community development	6.9	7.3	7.3	7.7	7.7	8.2
Revenue sharing	6.5	6.7	6.8		6.5	6.5
Justice	5.1	5.9	5.9	6.2	6.2	6.1
General government	4.8	5.3	5.1	5.7	5.6	5.6
Energy	4.0	2.4	2.5	3.4	2.8	4.1
Commerce and housing credit	4.4	4.6	4.4	1.6	0.3	2.0
Interest	89.8	109.4	111.1	117.9	130.2	133.8
Allowances			0.6	1.5	1.0	- 0.7
Undistributed offsetting receipts	-34.0	-16.2	-16.0	-34.6	-33.8	-33.2

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



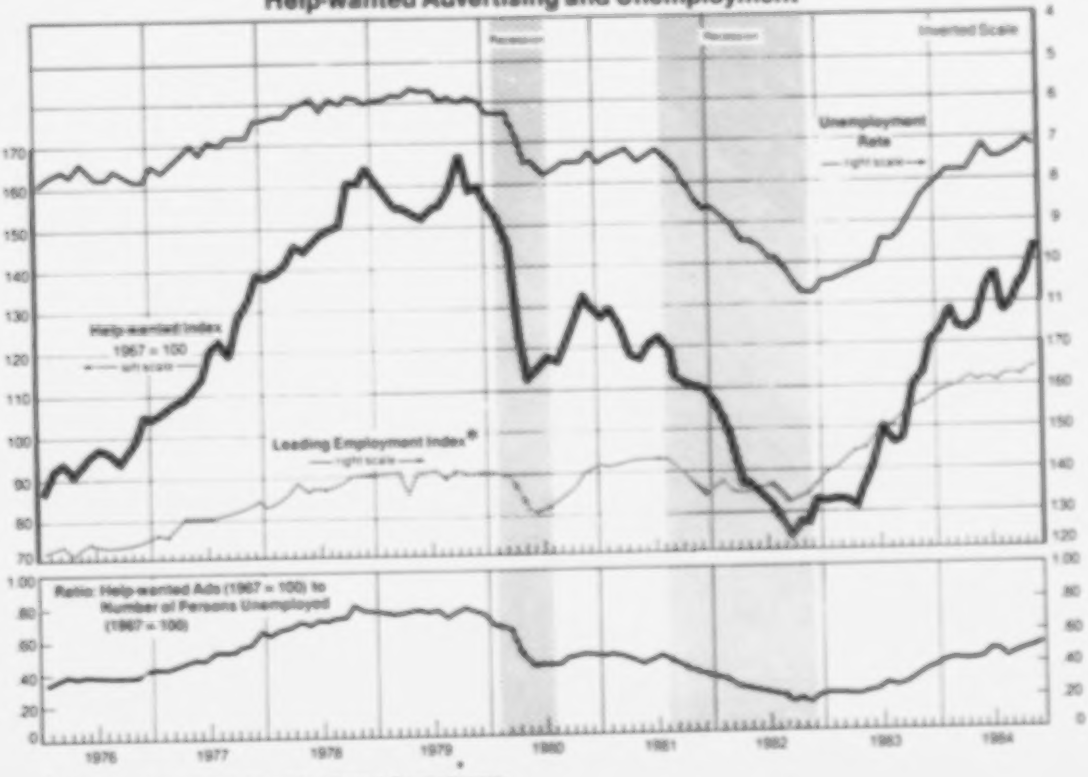
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984 Nov.	1984 Oct.	1984 Sept.	1983 Nov.
Total Index 51 papers	136	139r	129	114
New England	143	153	144	121
Boston	154	164	153	136
Hartford	147	155	181	112
Providence	103	113	98	75
Middle Atlantic	63	63	62	53
Albany	130	119	128	100
Allentown	171	186	190	116
New York	52	53	54	43
Philadelphia	61	58	55	46
Pittsburgh	58	58	55	44
Rochester	76	74	70	58
Syracuse	107	101	100	80
East North Central	84	82	78	65
Chicago	99	100	96	80
Cincinnati	122	116	87	77
Cleveland	57	56	57	44
Columbus	130	113	110	85
Dayton	60	57	59	50
Detroit	52	60	50	42
Gary	104	96	100	100
Indianapolis	95	88	90	73
Milwaukee	55	52	57	47
Toledo	103	86	87	79r
West North Central	89	88	86	63
Kansas City	132	132	117	82
Minneapolis	91	87	90	67
Omaha	112	116	122	95
St. Louis	64	59	60	49
South Atlantic	160	162	147	130
Atlanta	309	312	275	229
Baltimore	n.a.	98	98	100
Charlotte	141	148	137	107
Jacksonville	202	189	176	162
Miami	77	81	82	79
Richmond	89	92	93	68
Washington, D.C.	161	166	147	127
East South Central	127	133	118	103
Birmingham	139	131	121	109
Knoxville	178	193	174	158
Louisville	77	75	70	55
Memphis	104	104	104	95
Nashville	171	203	154	132
West South Central	275	272	285	282
Dallas	392	387	370	373
Houston	337	336	332	344
New Orleans	129	125	119	107
Oklahoma City	154	144	144	141
San Antonio	199	204	198	181
Tulsa	154	145	159	129
Mountain	336	304r	303	270r
Denver	214	199r	205	185r
Phoenix	483	472	419	384
Salt Lake City	353	336	330	276
Pacific	200	202	194	170
Los Angeles	148	153	143	130
Sacramento	321	320	309	274
San Bernardino	187	221	187	138
San Diego	431	421	431	334
San Francisco	223	215	202	193
Seattle	182	185	191	171
Percentage of papers with rising volume	53%	65%	57%	63%
Unemployment rate	7.2%	7.4%	7.4%	8.4%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

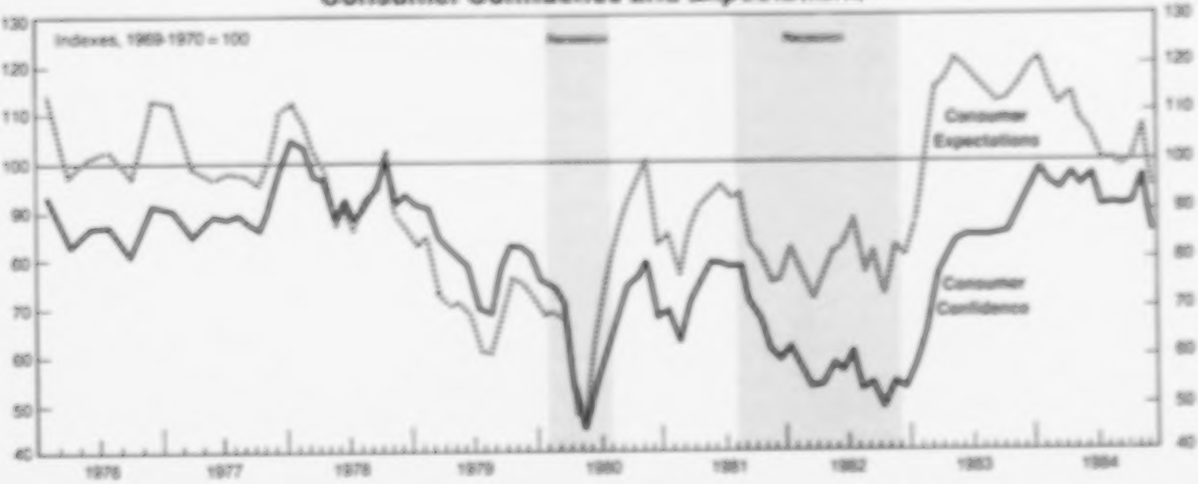
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8r	95.6p
Buying Plans Index												
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	88.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7r	95.9p

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

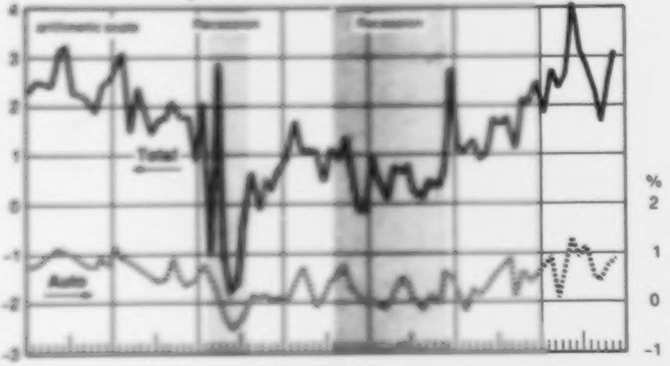
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1756.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

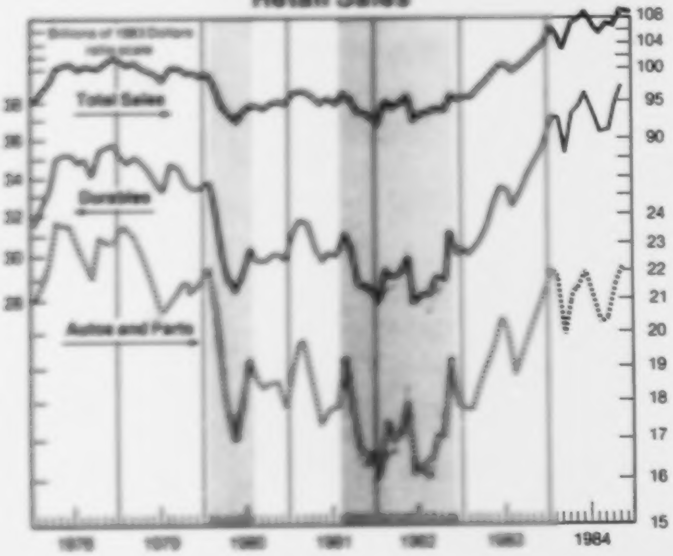
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

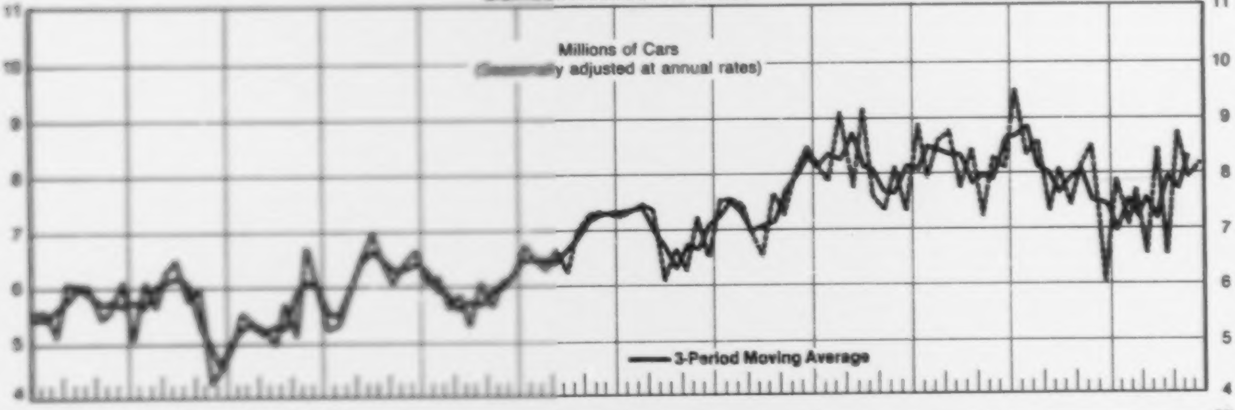
REVISED

Millions, Seasonally Adjusted at Annual Rate

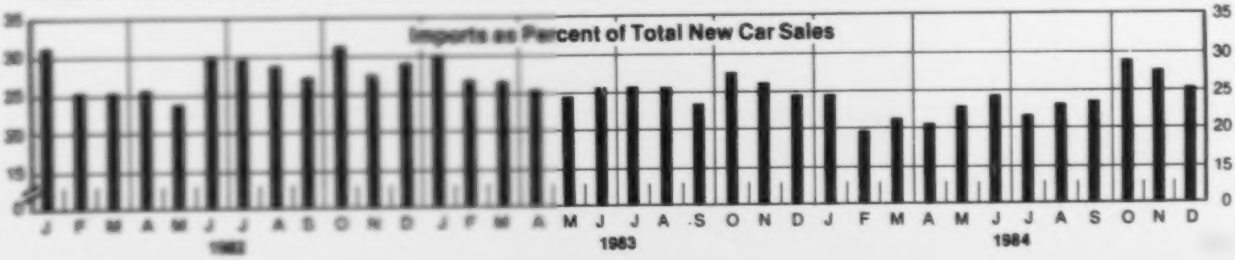
Periods		1981	1982	1983	1984
January:	1-10	6.11	5.53	6.17	8.16
	11-20	6.65	5.59	5.20	7.84
	21-31	6.70	5.14	5.60	9.15
February:	1-10	6.54	6.10	5.86	7.79
	11-20	6.07	6.03	5.30	9.17
	21-28(29)	8.42	6.06	6.07	7.60
March:	1-10	7.95	5.46	5.61	7.35
	11-20	10.07	5.68	6.10	8.13
	21-31	5.03	6.17	6.19	7.35
April:	1-10	6.12	5.06	6.69	8.88
	11-20	5.79	6.14	6.52	7.96
	21-30	6.07	5.62	6.35	8.60
May:	1-10	5.30	6.31	6.67	8.75
	11-20	5.80	6.53	6.30	7.74
	21-31	5.49	5.77	6.97	8.43
June:	1-10	5.99	6.00	7.23	7.22
	11-20	5.42	4.24	7.34	8.25
	21-30	5.61	4.56	7.28	8.10
July:	1-10	5.98	4.98	7.25	9.51
	11-20	6.41	5.56	7.36	8.32
	21-31	5.94	5.34	7.43	8.59
August:	1-10	7.20	5.27	7.39	7.33
	11-20	7.71	5.00	6.11	8.07
	21-31	8.48	5.72	6.65	7.43
September:	1-10	7.21	5.16	6.26	8.13
	11-20	5.91	6.75	7.21	8.52
	21-30	6.28	6.11	6.55	6.03
October:	1-10	5.11	5.22	7.52	7.83
	11-20	5.38	5.36	7.56	7.07
	21-31	5.53	5.91	7.45	7.70
November:	1-10	5.58	6.56	6.96	6.60
	11-20	4.96	6.98	6.55	8.44
	21-30	5.67	6.48	7.62	6.57
December:	1-10	5.32	6.03	7.30	8.75
	11-20	4.76	6.45	8.09	7.96
	21-31	5.18	6.64	8.48	8.19

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

Volume 18, No. 2, February, 1985

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The Conference Board

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COMMENT

For some time now, business conditions have been whip sawed by strong fiscal stimulus and the equally potent, but opposite, impact of trade deficits, an overvalued dollar, and high interest rates. By the fall of 1984, these countervailing forces had brought economic activity to a virtually trendless state—one where growth is more likely to come in fits and starts than in a steady flow.

The Federal Reserve intervened in the Fall to tip the balance. Money was pumped into the system and interest rates fell rather sharply. The Federal Funds Rate—the rate at which banks borrow from other banks—stood at almost 12% in early September but dropped to 8% by late December. This easing of monetary policy certainly enhanced growth prospects. Last Fall, the median of the *Economic Forecasts* was for growth in real GNP of only about 3% in the first half of 1985, and less than 2½% in the second half of the year (at annual rates). Thanks in no small part to the added pep from more money and lower interest rates, the current median forecast for real growth in the first half of this year is a little over 4 percent.

More economic growth generates more credit demand. As the interest-rate decline diffuses to mortgage and auto loans, consumers will step up their buying of homes and cars. Further, business investment, already going strong, is in a better position to maintain its momentum. More credit demand, however, puts upward pressure on intrest rates. Moreover, rising interest rates and an expanding economy send the dollar higher.

The trade-weighted average *Exchange Rate* of the dollar against other major currencies was 128.5 (1980-1982 = 100) back in October—or 28.5% higher than its base-period value. That figure dipped to 26.8% in November, rebounded to 29.4% in December, then rose to 32% in January. The dollar has climbed by 10% in each of the last four years and shows no sign of slowing down. Some increase in interest rates, and further hikes in the value of the dollar, in the first half of 1985 are likely to shift the economic balance toward slower and more fitful growth in the second half. The median of the current *Economic Forecasts* indicates a growth rate of only about 2½% in the fourth quarter of 1985.

The dollar's allure reflects relatively high U.S. interest rates and a relatively low inflation rate. The dollar's strength, in turn, is one factor in holding down price increases. Prices of import-competing goods rose by only 1.1% in 1984, while prices of services rose by 5.8 percent. The pressure to keep price increases as low as possible requires rather stringent cost containment. As indicated on the *Key Determinants of Profit Margins* chart, worker compensation rose by only about 3.7% in 1984, but labor productivity increased by 1.2% and the resultant hike of about 2½% in unit labor cost was enough to prevent any significant improvement in profit margins. Unless higher productivity gains can be achieved—an iffy prospect at best—cost-containment efforts are likely to keep the rise in labor compensation rather low. That will help keep inflation in check, but it will also limit the pace of consumer demand. The median of the *Economic Forecasts* indicates that inflation will remain in a low 3½-to-4% range in the first half of 1985, and may rise to only about 4½% in the second half of the year.

The forecast of a sustained, low inflation rate in the presence of a large and semipermanent federal budget deficit shows how open this economy is to foreign influence. An inflow of foreign capital has been providing enough savings to meet U.S. borrowers' needs and to preclude monetizing the debt. That is, the mint does not have to work overtime papering over the red ink flowing out of Washington.

The *Perspective on the Federal Budget* table shows that the latest version of the Administration's spending plan for fiscal 1985 is some $30 billion higher than its midyear review estimate, despite a $12½ billion reduction in national defense. Higher estimates for spending on income security, agriculture, energy and housing account for most of this difference. The revised estimate of tax revenue is $27 billion lower than at midyear. Consequently, the latest estimate of the fiscal deficit is $222 billion, compared with the $167 billion figure calculated last August. The Congressional Budget Office's baseline estimate of tax revenue is fairly close to the Administration's figure but CBO's numbers on spending and, therefore, the deficit are a little lower.

The "current services" budgets for fiscal 1985 and 1986 essentially show what happens to revenues and expenditures, taking inflation into account and assuming no changes are made in tax laws or program funding. The Administration, anticipating 4% growth in real GNP, expects a $60-billion rise in revenue, or about the increase

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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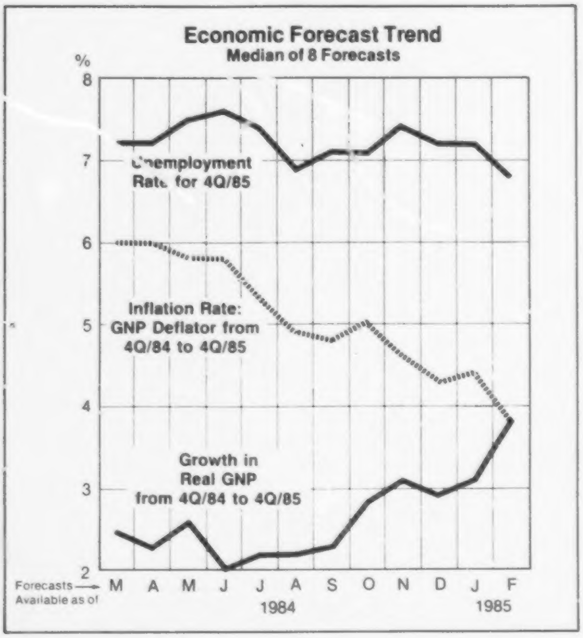


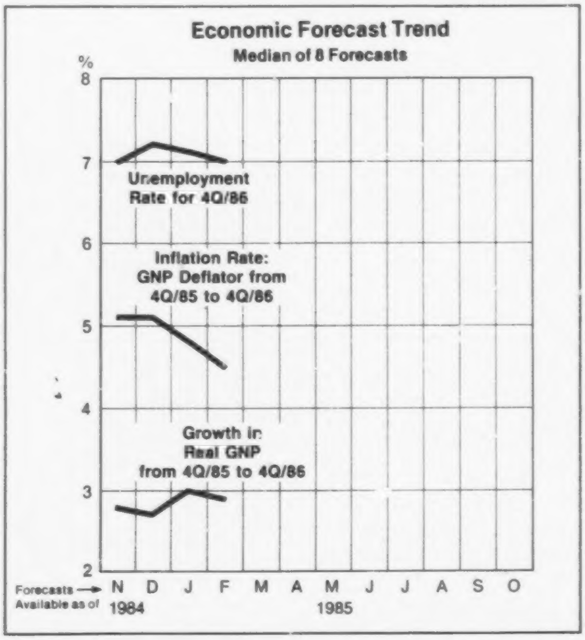
shown in the current services budget, for fiscal 1986. The CBO growth estimate is lower, and closer to the median of the *Economic Forecasts* shown in the accompanying chart. The Administration's spending proposal reflects the well-publicized $50-billion cut relative to the current services budget, resulting in an estimated deficit that is $50 billion below that in the current services budget.

The CBO spending estimate is $20 billion higher than the Administration's. That, together with a lower revenue figure, puts its deficit calculation at $206 billion. The CBO numbers, however, are baseline figures. Congress will undoubtedly go along with some of the Administration's proposed spending cuts and/or propose a few of its own. The expenditure reductions will result in a lower deficit number. Nonetheless, both the Administration and the CBO data imply deficits of $200 billion—more or less—in fiscal 1985 and fiscal 1986, following $195 billion in fiscal 1983 and $175 billion in fiscal 1984. Nor is the flood of red ink expected to be stemmed in the later, "out" years. Economic growth is not slowing down budget deficits, and a semi-permanent fiscal stimulus of this magnitude may yet result in placing the economy back on an inflation treadmill. If infusions of foreign capital begin to dry up, this danger looms larger.

With economic growth in the 4% range in the first half of 1985, employment gains ought to be quite good. Nonfarm jobs were up by 1.2 million in the four months through January, but the unemployment rate moved back up to 7.4% in that month. An erratic flow of entrants into the labor force accounts for some of the contradictory behavior of the data, but not all. Most of the job growth continues to be centered in the service sector, not in the cyclically sensitive manufacturing industries.

The Conference Board's *Help-wanted Index* rose sharply in December, after being quite flat in the prior 5 months. However, early returns indicate that most of the gain evaporated in January. The *Economic Forecasts* indicate that the unemployment rate will probably drop to an average of 7.2% in the first quarter of 1985, and 7% in the second quarter. As economic growth slows in the second half of the year, employment gains will slow. One big question mark, hanging over all forecasts, is what happens if the dollar starts to come down. If domestic producers are losing sales now to attractively priced competition, because of a significantly overvalued dollar, then business and job growth may benefit from a lower dollar. Inflation, on the other hand, would accelerate. Whatever the economic consequences of a dollar depreciation, the dollar's value does not rise or fall solely on the strength of domestic economic conditions. Another currency will have to offer an advantage over the dollar in order for it to come down. The data on the *Selected International Comparision* charts show that none of the major trading partners are enjoying stronger economic growth than the United States at the moment. That may change in the second half of 1985.

Ken Goldstein
February 13, 1985

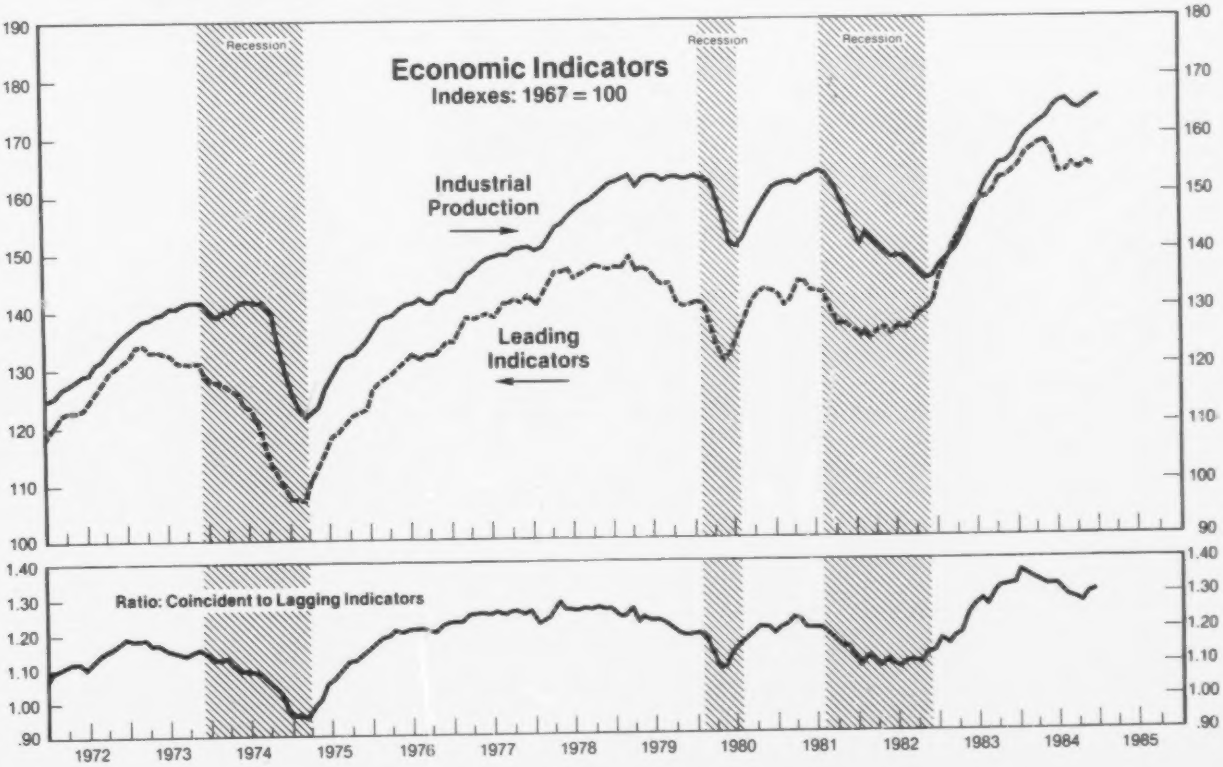


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.		X		− 0.2%	+ 0.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.			X	−14.1%	− 1.7%
New orders, nondefense capital goods (deflated)	Dec.			X	−15.1%	− 4.0%
*New business formation	Dec.			X	− 3.0%	− 0.9%
*Housing permits	Dec.		X		+10.1%	− 1.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.	X			+ 2.6%	+ 0.4%
*Change in inventory, on hand & order (deflated)	Nov.			X	− 3.5%	− 6.0%
Purchasing agents' buying policy	Dec.			X	− 7 %	− 7 %
*Vendor performance, reported slower deliveries	Dec.			X	− 13 %	− 22 %
Industrial raw materials prices	Dec.			X	− 4.4%	− 7.3%
*Change in sensitive material prices	Dec.		X		+ 0.7%	− 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.	X			+ 2.3%	+ 4.1%
Change in business loans	Dec.		X		+11.7%	+ 2.4%
*Change in credit outstanding	Dec.		X		− 3.9%	− 0.9%
Change in consumer installment debt	Nov.	X			+23.4%	+ 37.6%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q			X	− 6.5%	− 3.2%
*Common stock prices	Jan.	X			+ 3.5%	+ 2.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.		X		+ 0.2hr	− 0.3hr
*Initial unemployment claims (inverted)	Jan.		X		0 %	−11.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



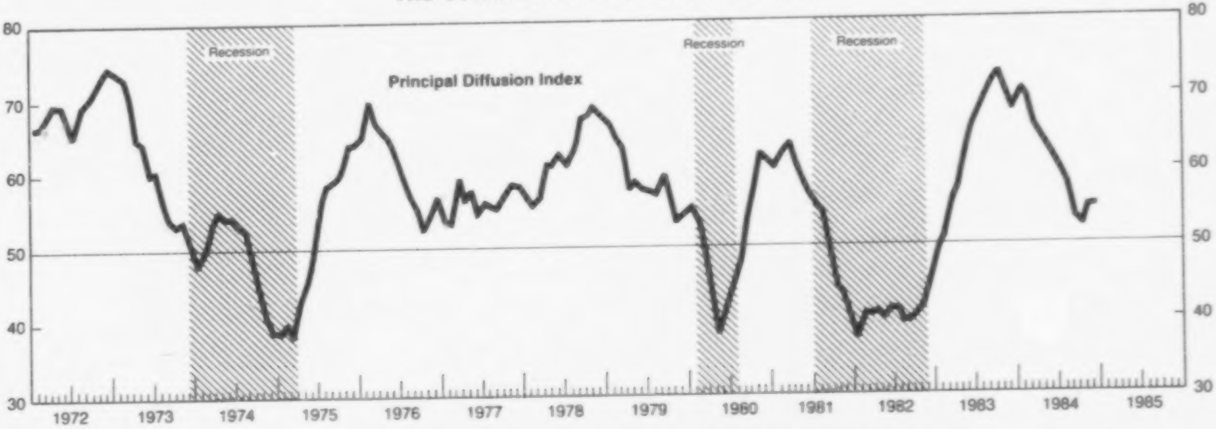
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Dec.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.(e)
Principal Diffusion Index	67.7	53.8	51.9r	54.9r	55.0
Auxillary Diffusion Index	42.5	36.7	43.5r	59.9r	50.2
Industrial Group	70.8	53.6	50.9r	53.4r	54.8
Nonindustrial Group	64.6	54.1	52.8r	56.4r	55.1
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.1	51.7	49.1	52.4r	52.1
Labor	72.3	53.6	53.8r	57.4r	60.9
Miscellaneous	76.9	56.4	46.2	44.9	43.6
Nonindustrial Subgroups					
Prices	64.1	45.5	37.8	46.2	38.5
Consumer	77.8	63.2	67.9	72.6	66.7
Building	56.4	56.4	55.1	61.5r	67.9
Miscellaneous	57.3	49.1	46.2r	43.6	46.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 May	1982 Aug.	1982 Nov.	1983 Feb.	1983 May	1983 Aug.	1983 Nov.	1984 Feb.	1984 May	1984 Aug.	1984 Nov.
	Score (scale 0-100)										
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	76	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983				1984			Percent Change From Previous Year		
	Ir	IIr	IIIr	IVr	Ir	IIr	IIIp	1983 Actual	1984 Estimated	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.072	20.874	22.875	24.262	26.816	37.154	28.720	1	38	-13
Capital expenditures	19.106	18.664	18.244	19.560	19.905	21.808	23.751	– 23	20	12
Change in appropriations backlog*	– 1.160	– 0.982	+ 1.988	+ 0.928	+ 5.152	+ 13.867	+ 3.797			
Durable Goods										
New appropriations	8.130	9.293	9.119	11.024	13.662	21.216	13.307	– 17	64	– 38
Capital expenditures	7.942	7.717	7.667	8.727	8.714	10.033	11.342	– 19	32	– 4
Change in appropriations backlog*	– 0.676	+ 0.887	+ 1.466	+ 0.819	+ 4.057	+ 10.843	+ 1.726			
Nondurable Goods										
New appropriations	11.942	11.581	13.666	13.238	13.154	45.055	15.413	– 9	18	14
Capital expenditures	11.166	10.947	10.577	10.833	11.191	11.775	12.409	– 26	12	25
Change in appropriations backlog*	– 0.484	+ 0.095	+ 0.522	+ 0.109	+ 1.095	+ 3.024	+ 2.071			
ELECTRIC & GAS UTILITIES										
New appropriations	7.614	6.663	5.831	6.968	5.335	8.385	10.801			
Capital expenditures	8.995	9.236	9.024	8.292	8.757	9.150	9.127			
Change in appropriations backlog*	– 4.916	– 6.849	– 3.913	– 4.056	– 5.799	– 2.466	.646			

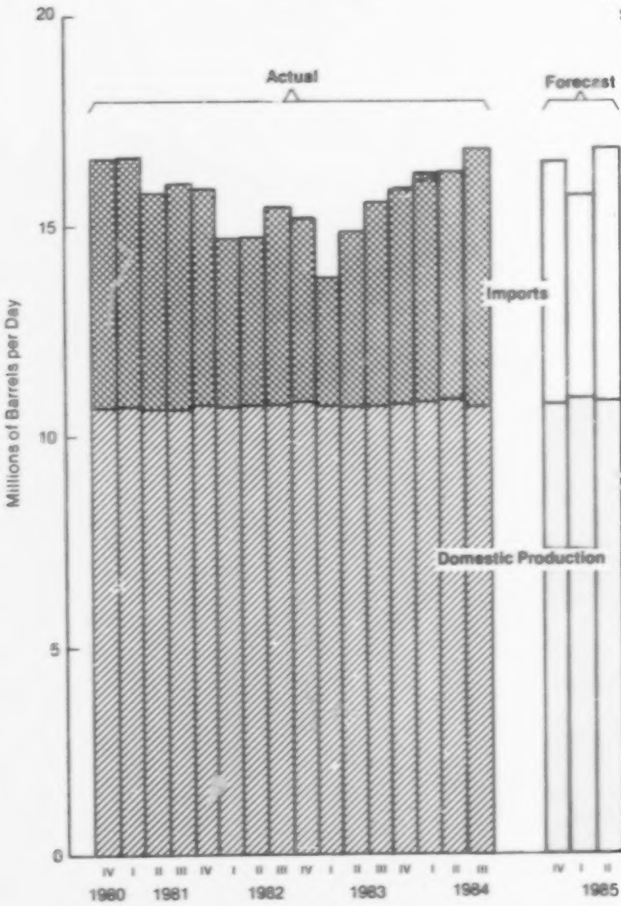
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

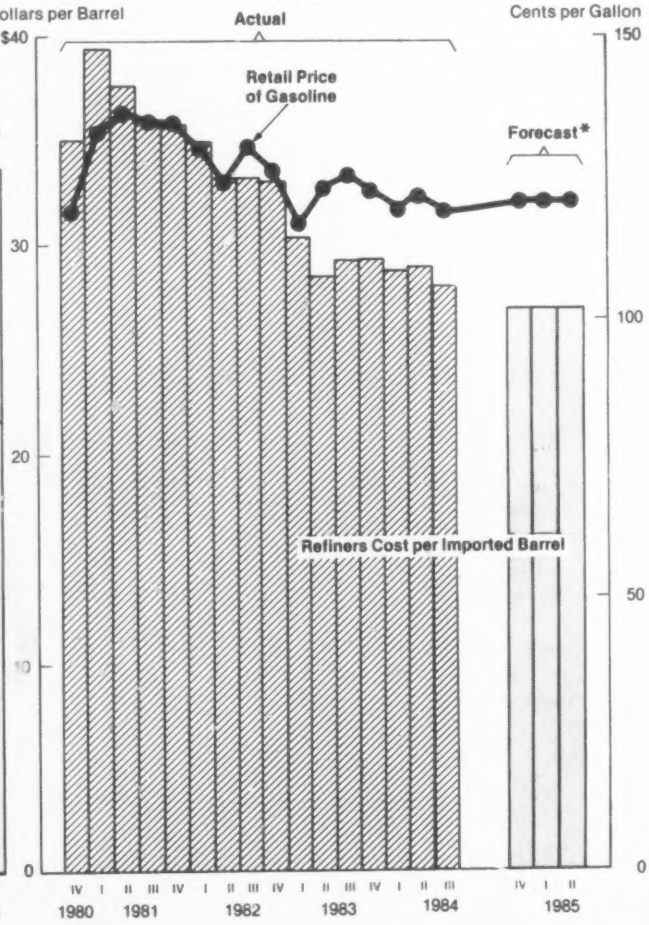
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



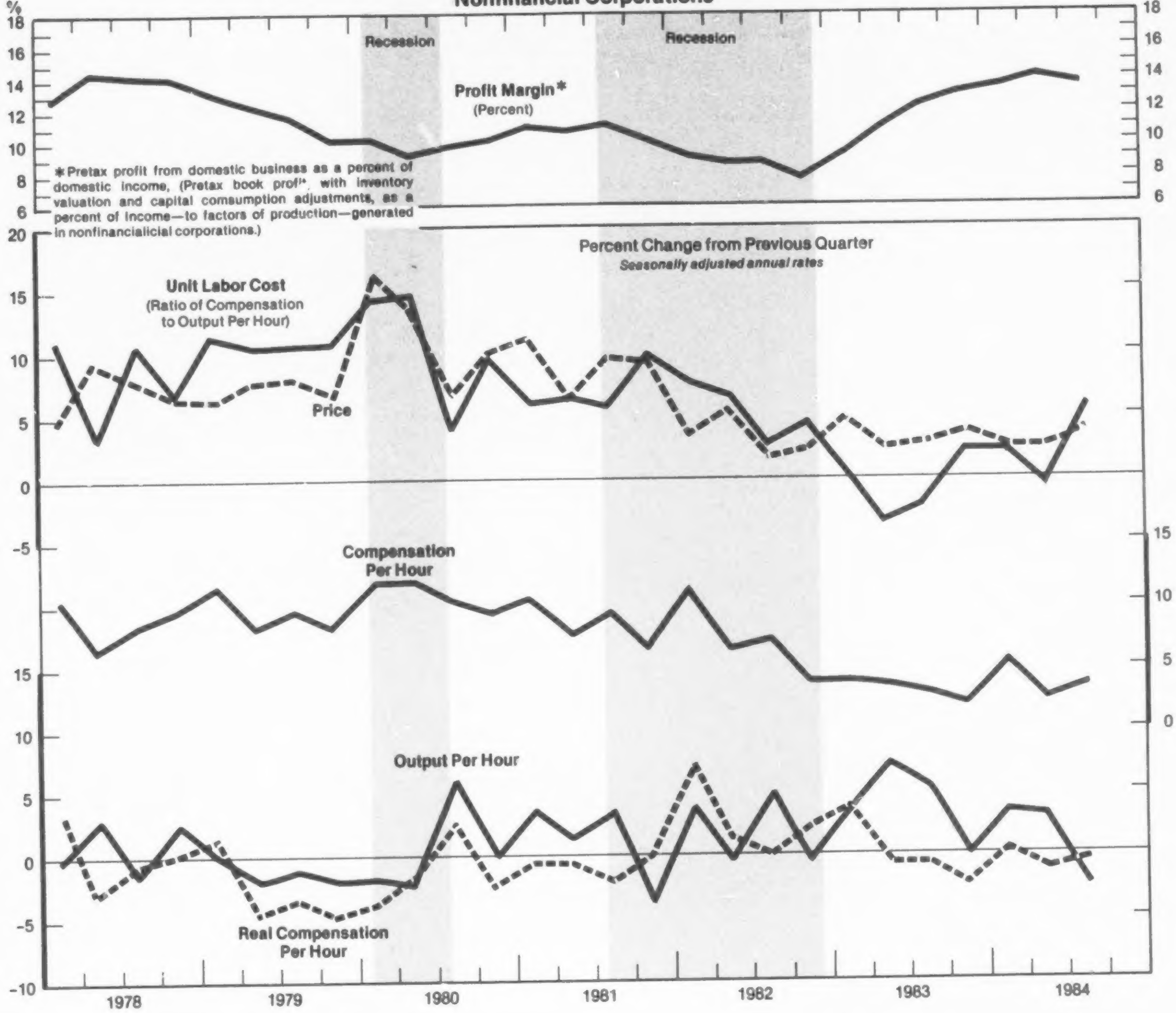
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy.

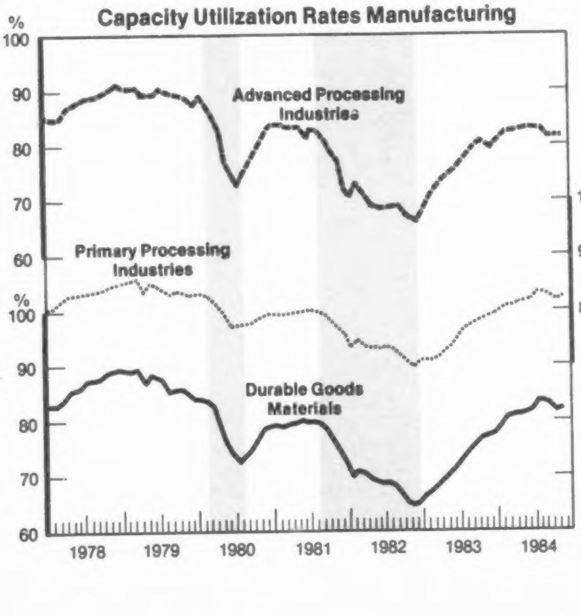
Key Determinants of Profit Margin

Nonfinancial Corporations

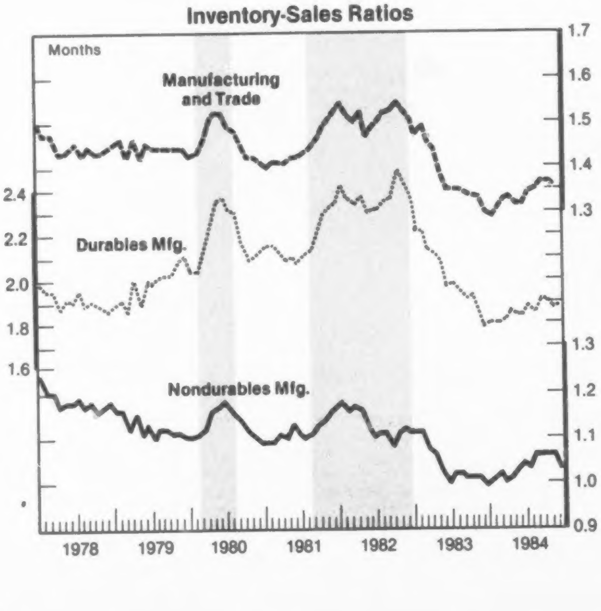


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[2]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Jan., 1985*		*Jan., 1985*		*Jan., 1985*		*Jan., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**IV**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**
	1985	I	3834.4	9.0	3832.9	8.8	3825.4	8.0	3832.4	8.8
		II	3905.4	7.6	3907.0	8.0	3884.9	6.4	3906.9	8.0
		III	3970.6	6.8	3986.2	8.4	3955.1	7.4	3988.2	8.6
		IV	4038.9	7.1	4067.5	8.4	4041.6	9.0	4054.0	6.8
	1986	I	4106.2	6.8	4136.2	6.9	4117.9	7.8	4112.0	5.8
		II	4178.4	7.2	4205.8	6.9	4209.6	9.2	4164.9	5.2
		III	4256.4	7.7	4286.2	7.9	4288.0	7.7	4245.2	7.9
		IV	4347.4	8.8	4372.9	8.3	4325.1	3.5	4345.7	9.8
	1987	I	4441.7	9.0						
Actual	**1984**	**Annual**	**3661.3**	**10.8**	**3661.3**	**10.8**	**3661.3**	**10.8**	**3661.3**	**10.8**
	1985	Annual	3937.3	7.5	3948.4	7.8	3926.8	7.3	3945.4	7.8
	1986	Annual	4222.1	7.2	4250.3	7.6	4235.2	7.9	4217.0	6.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**IV**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**
	1985	I	1681.6	5.0	1679.5	4.5	1680.0	4.6	1683.0	5.4
		II	1698.8	4.2	1692.5	3.1	1693.5	3.3	1703.0	4.8
		III	1714.5	3.7	1707.7	3.6	1707.0	3.2	1722.0	4.5
		IV	1728.0	3.2	1724.7	4.0	1723.5	3.9	1731.0	2.1
	1986	I	1739.6	2.7	1735.4	2.5	1737.5	3.3	1737.0	1.4
		II	1752.6	3.0	1744.2	2.0	1754.0	3.9	1741.0	.9
		III	1767.1	3.4	1757.2	3.0	1761.0	1.6	1753.0	2.8
		IV	1783.6	3.8	1773.2	3.7	1747.0	-3.1	1771.0	4.2
	1987	I	1800.7	3.9						
Actual	**1984**	**Annual**	**1639.0**	**6.6**	**1639.0**	**6.8**	**1639.0**	**6.6**	**1639.0**	**6.8**
	1985	Annual	1705.7	4.1	1701.1	3.8	1701.0	3.8	1709.8	4.3
	1986	Annual	1760.7	3.2	1752.5	3.0	1749.9	2.9	1750.5	2.4
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**IV**	**225.9**	**2.4%**	**225.9**	**2.4%**	**225.9**	**2.4%**	**225.9**	**2.4%**
	1985	I	228.0	3.6	228.2	4.2	227.7	3.2	227.7	3.2
		II	229.9	3.3	230.8	4.7	229.4	3.0	229.4	3.0
		III	231.6	3.0	233.4	4.6	231.7	4.1	231.6	3.9
		IV	233.7	3.8	235.8	4.2	234.5	4.9	234.2	4.6
	1986	I	236.0	4.0	238.3	4.3	237.0	4.3	236.7	4.4
		II	238.4	4.1	241.1	4.8	240.0	5.2	239.2	4.3
		III	240.9	4.2	243.9	4.7	243.5	6.0	242.2	5.0
		IV	243.7	4.9	246.6	4.5	247.6	6.9	245.4	5.4
	1987	I	246.7	4.9						
Actual	**1984**	**Annual**	**223.4**	**3.7**	**223.4**	**3.7**	**223.4**	**3.7**	**223.4**	**3.7**
	1985	Annual	230.8	3.3	232.1	3.9	230.8	3.3	230.7	3.3
	1986	Annual	239.8	3.9	242.5	4.5	242.0	4.8	240.9	4.4
Unemployment Rate										
Actual	**1984**	**IV**		**7.1%**		**7.1%**		**7.1%**		**7.1%**
	1985	I		7.1		7.3		7.1		7.4
		II		7.0		6.9		7.1		7.0
		III		6.9		6.8		7.0		6.8
		IV		6.9		6.6		6.7		6.7
	1986	I		6.9		6.8		6.5		6.9
		II		6.9		7.0		6.6		7.3
		III		6.9		6.8		6.6		7.4
		IV		6.9		6.6		7.0		7.5
	1987	I		6.8						
Actual	**1984**	**Annual**		**7.5**		**7.5**		**7.5**		**7.5**
	1985	Annual		6.9		6.9		7.0		7.0
	1986	Annual		6.9		6.8		6.7		7.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (2nd revision) third quarter data.

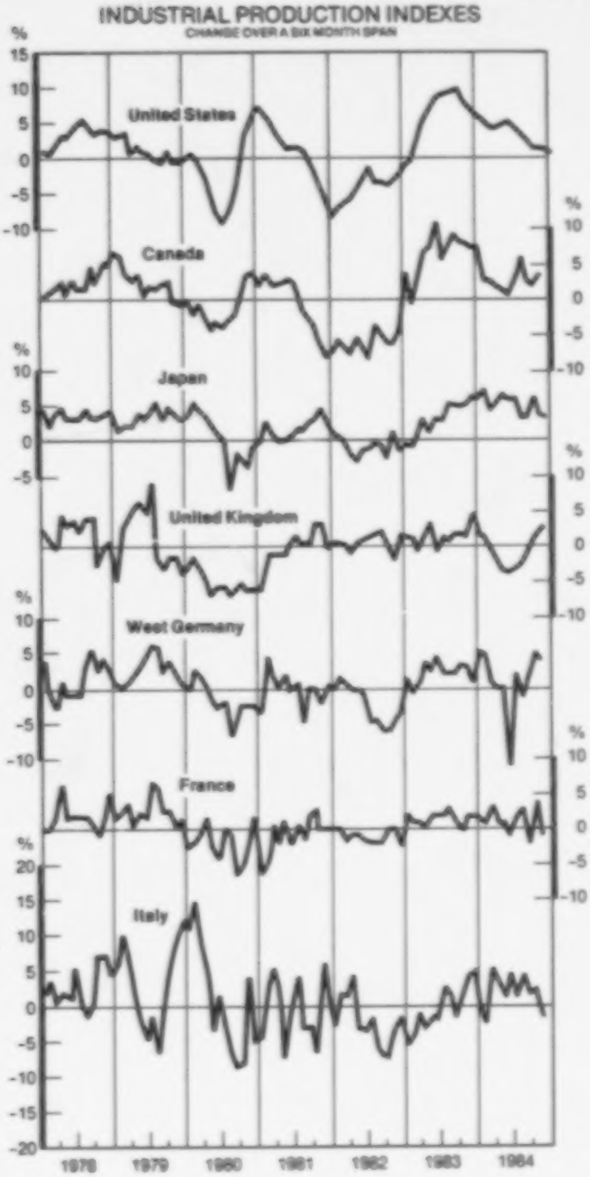
[2] Based on preliminary fourth quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Dec., 1984		*Jan., 1985*		*Jan., 1985*		*Jan., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3752.5	**6.4%**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**	**IV**	**1984**	**Actual**
$3796.0	6.6	3830.7	8.6	3816.5	7.0	3832.4	8.8	I	1985	
3879.0	9.0	3913.7	9.0	3878.0	6.6	3907.1	8.0	II		
3956.0	8.2	3986.2	7.6	3933.8	5.9	3975.2	7.2	III		
4024.0	7.0	4043.2	5.8	3993.1	6.2	4041.5	6.8	IV		
4098.0	7.6	4092.3	4.9	4052.1	6.0	4118.8	7.9	I	1986	
4187.0	9.0	4170.4	7.9	4115.6	6.4	4185.8	6.7	II		
4267.0	7.9	4252.8	8.1	4183.5	6.8	4255.3	6.8	III		
4352.0	8.2	4344.2	8.9	4263.5	7.9	4332.0	7.4	IV		
		4443.0	9.4	4345.8	7.9	4422.1	8.6	I	1987	
		3661.3	**10.8**	**3661.3**	**10.8**	**3661.3**	**10.7**	**Annual**	**1984**	**Actual**
3913.8	7.0	3943.5	7.7	3905.4	6.7	3939.1	7.6	Annual	1985	
4226.0	8.0	4214.9	6.9	4153.7	6.4	4223.0	7.2	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
		$1661.1	**3.9%**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**	**IV**	**1984**	**Actual**
$1667.5	2.9	1674.5	3.3	1674.1	3.2	1679.7	4.6	I	1985	
1683.8	4.0	1690.6	3.9	1687.6	3.3	1698.5	4.6	II		
1693.3	2.3	1705.2	3.5	1700.2	3.0	1713.3	3.5	III		
1699.4	1.4	1709.9	1.1	1711.3	2.6	1724.5	2.6	IV		
1709.7	2.4	1715.3	1.3	1721.0	2.3	1738.8	3.4	I	1986	
1724.3	3.5	1729.2	3.3	1732.2	2.6	1751.4	2.9	II		
1737.0	3.0	1745.7	3.9	1744.7	2.9	1765.2	3.2	III		
1750.0	3.0	1761.7	3.7	1759.1	3.3	1779.4	3.3	IV		
		1780.4	4.3	1774.1	3.5	1795.1	3.6	I	1987	
		1639.0	**6.8**	**1639.0**	**6.8**	**1639.0**	**6.8**	**Annual**	**1984**	**Actual**
1686.0	3.0	1695.1	3.4	1693.3	3.3	1704.0	4.0	Annual	1985	
1730.3	2.6	1738.0	2.5	1739.3	2.7	1758.7	3.2	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
		225.9	**2.4%**	**225.9**	**2.4%**	**225.9**	**2.4%**	**IV**	**1984**	**Actual**
227.6	3.5	228.8	5.2	228.0	3.7	228.2	4.1	I	1985	
230.4	4.9	231.5	4.9	229.8	3.2	230.0	3.3	II		
233.6	5.8	233.8	4.0	231.4	2.8	232.0	3.5	III		
236.8	5.5	236.5	4.7	233.3	3.4	234.4	4.1	IV		
239.7	5.0	238.6	3.6	235.5	3.7	236.9	4.4	I	1986	
242.8	5.3	241.2	4.4	237.6	3.7	239.0	3.6	II		
245.7	4.7	243.6	4.1	239.8	3.7	241.1	3.5	III		
248.7	5.0	246.6	5.0	242.4	4.4	243.5	4.0	IV		
		249.6	4.9	245.0	4.3	246.3	4.8	I	1987	
		223.4	**3.7**	**223.4**	**3.7**	**223.4**	**3.7**	**Annual**	**1984**	**Actual**
232.1	3.9	232.6	4.1	230.6	3.2	231.1	3.5	Annual	1985	
244.2	5.2	242.5	4.2	238.8	3.5	240.1	3.9	Annual	1986	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	**IV**	**1984**	**Actual**
	7.2		6.9		7.2		7.1	I	1985	
	7.0		6.9		7.2		6.9	II		
	7.2		7.0		7.2		6.7	III		
	7.6		7.1		7.2		6.6	IV		
	7.7		7.2		7.3		6.6	I	1986	
	7.5		7.2		7.3		6.6	II		
	7.5		7.1		7.4		6.7	III		
	7.5		6.9		7.4		6.7	IV		
			6.7		7.3		6.7	I	1987	
	7.5		**7.5**		**7.5**		**7.5**	**Annual**	**1984**	**Actual**
	7.3		7.0		7.2		6.8	Annual	1985	
	7.6		7.1		7.3		6.6	Annual	1986	

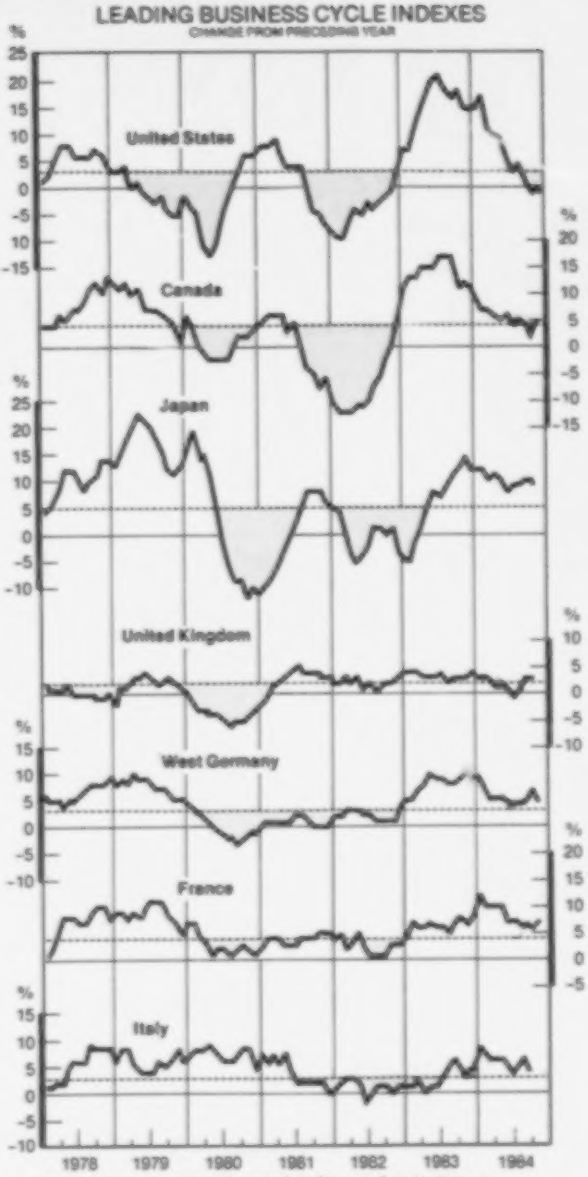
Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS



INDUSTRIAL PRODUCTION INDEXES

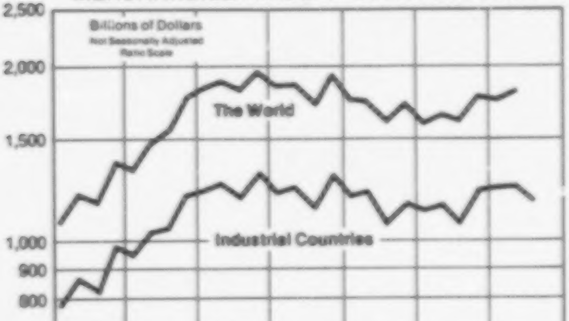
CHANGE OVER A SIX MONTH SPAN



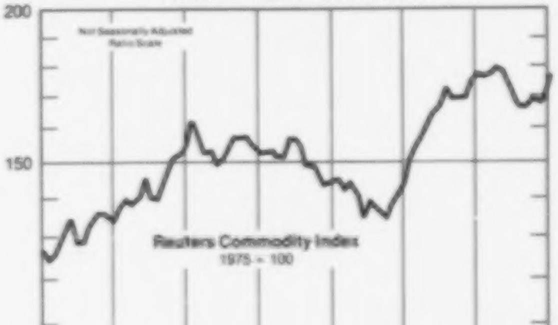
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

Source: Center for International Business Cycle Research, Columbia University



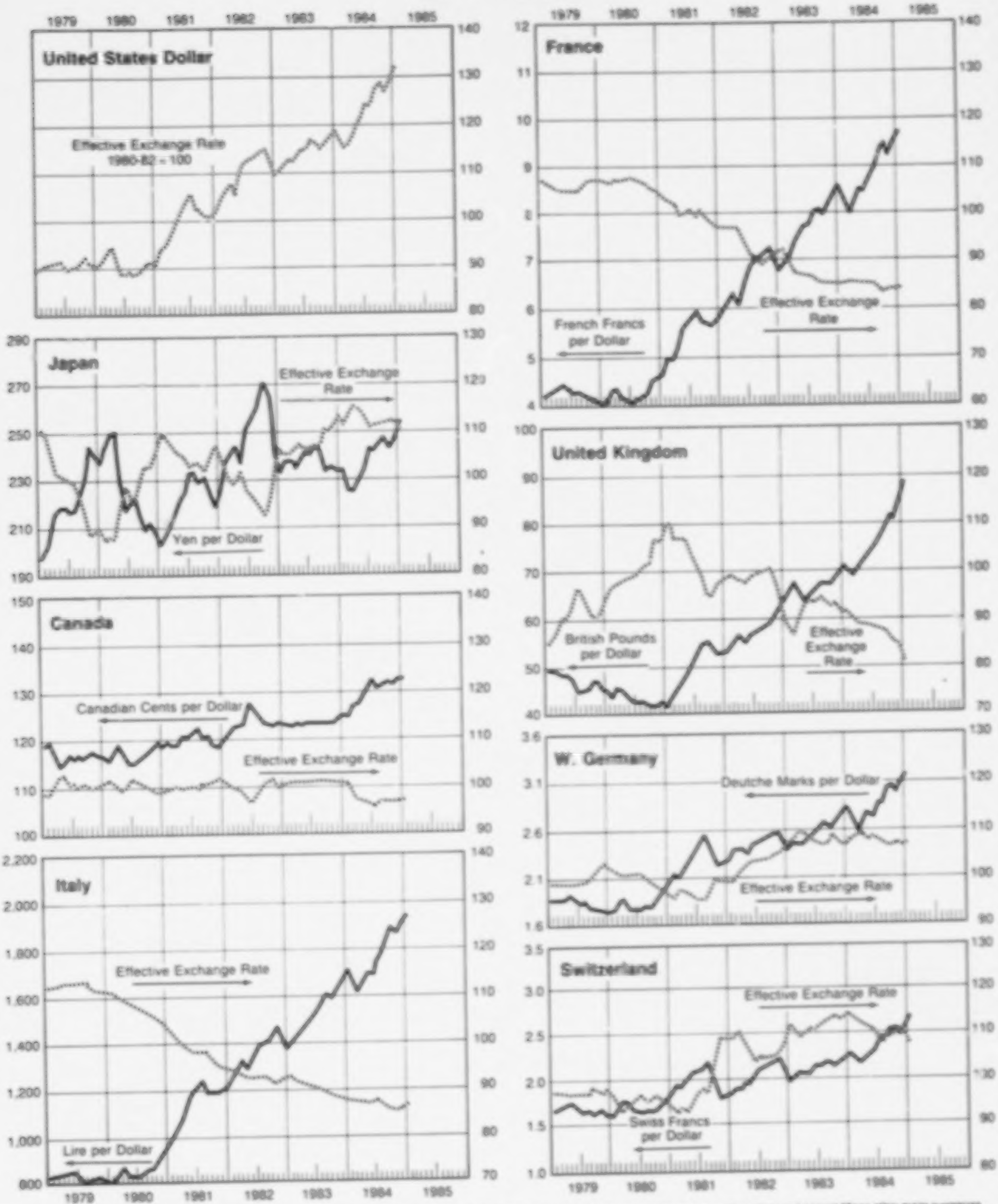
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES

Foreign Exchange Rates

Indexes: 1980-82 = 100



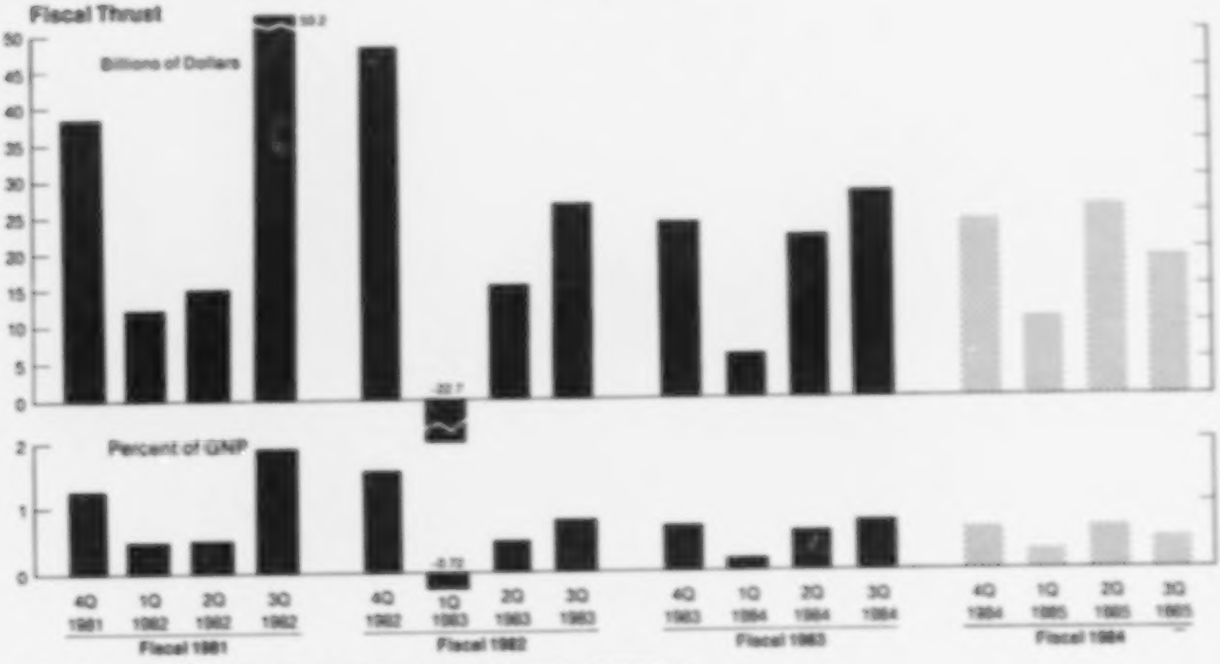
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

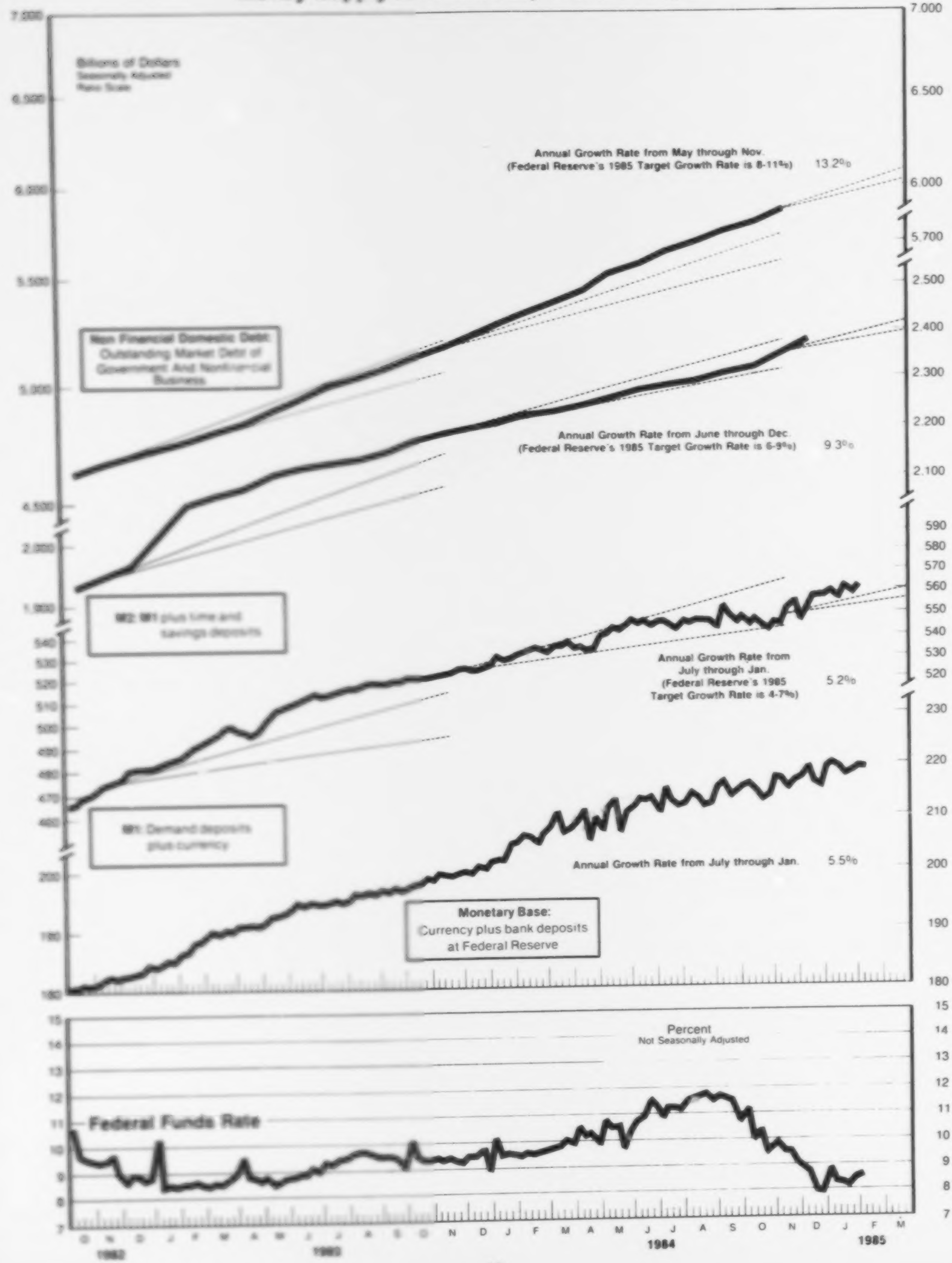
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/6/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/6/85)
Receipts	736.9	736.9	735.0	794.3	793.7	788.0
Outlays	960.4	959.1	938.0	1,024.5	973.7	995.0
Deficit	-223.6	-222.2	-203.0	-230.3	-180.0	-208.0
Receipts by source	736.9	736.9	735.0	794.3	793.7	788.0
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	65.4	65.4	63.0	74.8	74.1	71.0
Social insurance	269.4	269.4	265.0	289.4	289.4	286.0
Other receipts	72.4	72.4	74.0	70.7	71.3	70.0
Outlays by function	960.4	959.1	938.0	1,024.5	973.7	995.0
National defense	253.2	253.8	252.0	294.6	285.7	282.0
Social security and medicare	257.4	257.4	254.0	273.6	269.4	271.0
Income security	128.3	127.2	126.0	120.8	115.8	121.0
Health	33.9	33.9	34.0	36.7	34.9	38.0
Education and manpower	30.6	30.4	30.0	31.3	29.3	31.0
Transportation	27.0	27.0	26.0	27.9	25.9	28.0
Veterans' benefits	26.9	26.9	26.0	27.8	26.8	27.0
International affairs	19.3	19.6	17.0	19.0	18.3	17.0
Agriculture	20.2	20.2	21.0	18.1	12.6	16.0
National resources and environment	13.0	13.0	12.0	13.2	11.9	13.0
General science	8.7	8.7	9.0	9.3	9.3	9.0
Community development	8.6	8.6	8.0	8.3	7.3	8.0
Justice	6.7	6.7	6.0	6.9	6.6	7.0
Revenue sharing	6.5	6.6	6.0	6.6	2.8	6.0
General government	5.8	5.8	6.0	5.8	4.8	6.0
Energy	8.7	8.2	3.0	7.9	4.7	4.0
Commerce and housing credit	6.0	6.0	3.0	5.3	2.2	3.0
Interest	130.5	130.4	130.0	145.8	142.6	145.0
Allowances	1.1	1.1	1.0	1.7	0.4	1.0
Undistributed offsetting receipts	-32.2	-32.3	-33.0	-36.0	-37.5	-36.0

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, The Federal Budget: Its Impact on the Economy (FB-81-3), The Conference Board, New York, [illegible]

Money Supply and Monetary Growth Targets



CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

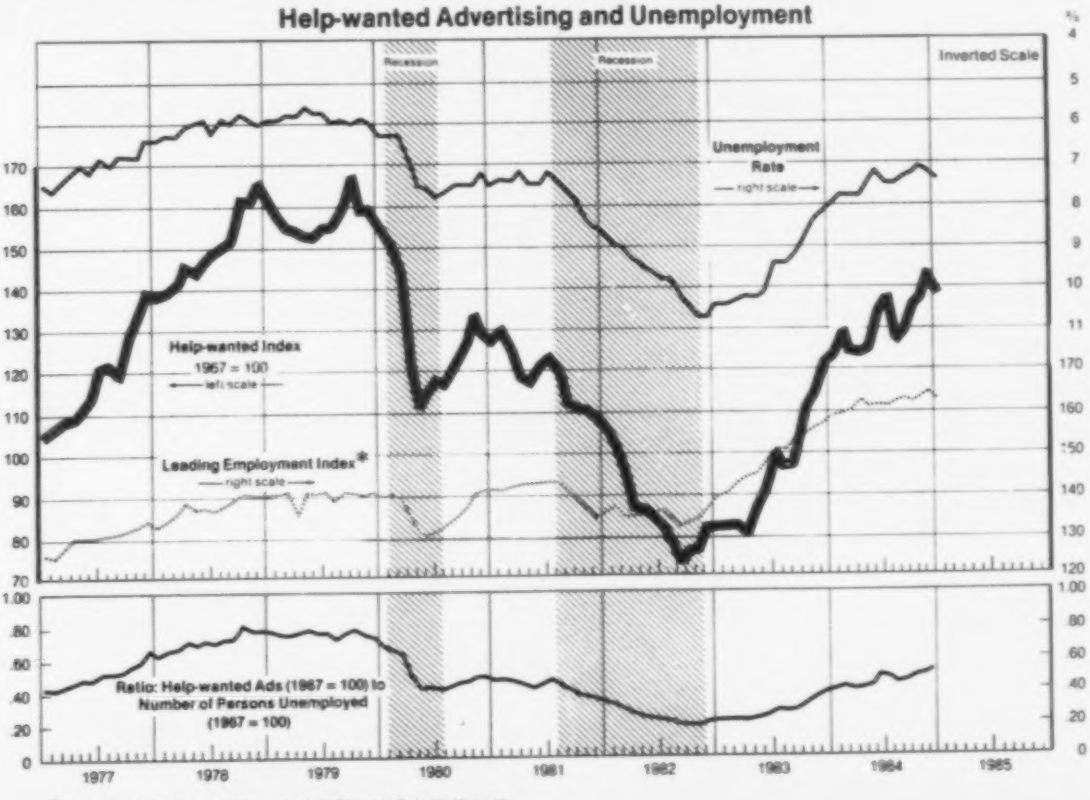
Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Dec.	Nov.	Oct	Dec.
Total Index 51 papers	145	137r	135	121
New England	154	143	153	130
Boston	168	154	164	144
Hartford	143	147	155	119
Providence	116	103	113	92
Middle Atlantic	67	63	63	58
Albany	141	130	119	111
Allentown	166	171	186	119
New York	53	52	53	52
Philadelphia	64	61	58	52
Pittsburgh	71	58	56	53
Rochester	82	76	74	65
Syracuse	112	107	101	90
East North Central	94	84	82	74
Chicago	107	99	100	89
Cincinnati	137	122	116	88
Cleveland	65	57	56	51
Columbus	145	130	113	98
Dayton	73	60	57	53
Detroit	62	52	60	53
Gary	105	104	96	110
Indianapolis	113	95	83	82
Milwaukee	63	55	52	51
Toledo	119	103	85	87
West North Central	98	89	88	70
Kansas City	164	132	132	99
Minneapolis	90	81	82	63
Omaha	117	112	116	103
St. Louis	61	64	59	50
South Atlantic	170	169r	162	137
Atlanta	307	309	312	248
Baltimore	112	143r	96	76

	1984			1983
	Dec.	Nov.	Oct.	Dec.
Charlotte	151	141	148	123
Jacksonville	208	202	189	176
Miami	77	77	81	79
Richmond	105	88	92	77
Washington, D.C.	178	161	166	144
East South Central	143	127	133	114
Birmingham	149	139	131	121
Knoxville	196	178	193	182
Louisville	76	77	75	63
Memphis	107	104	104	97
Nashville	223	171	203	149
West South Central	291	275	272	280
Dallas	423	392	387	395
Houston	358	337	338	363
New Orleans	130	129	125	128
Oklahoma City	159	154	144	157
San Antonio	191	199	204	159
Tulsa	177	154	145	153
Mountain	353	336	304	278
Denver	n.a.	214	166	178
Phoenix	552	493	472	395
Salt Lake City	378	353	336	309
Pacific	206	200	202	170
Los Angeles	153	148	153	132
Sacramento	329	321	320	294
San Bernardino	210	187	221	123
San Diego	404	431	421	333
San Francisco	238	223	215	181
Seattle	186	182	185	179
Percentage of papers with rising volume	80%	55r%	65%	86%
Unemployment rate	7.2%	7.1%	7.3%	8.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

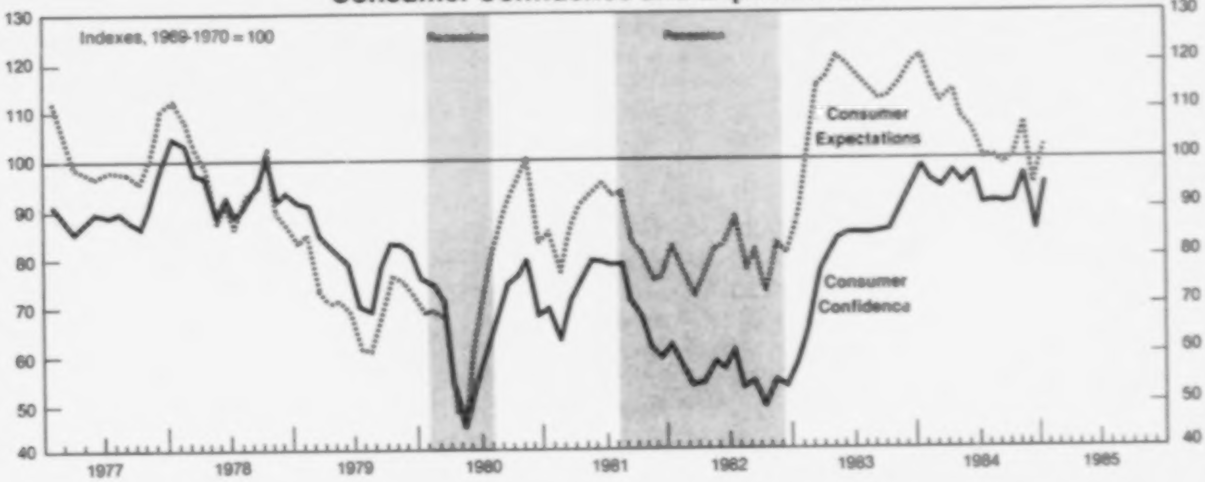
	Jan.	Feb.	Mar	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9r
1985	95.3p											
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2r
1985	101.2p											

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

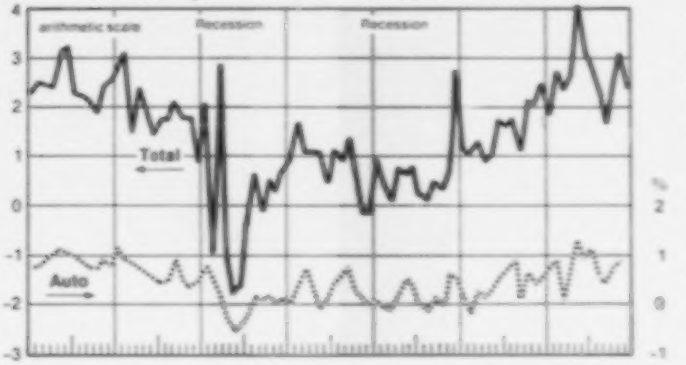
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

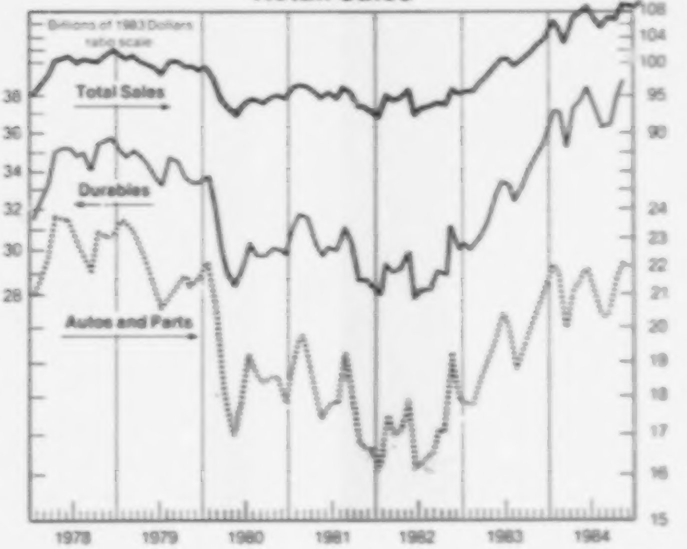
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



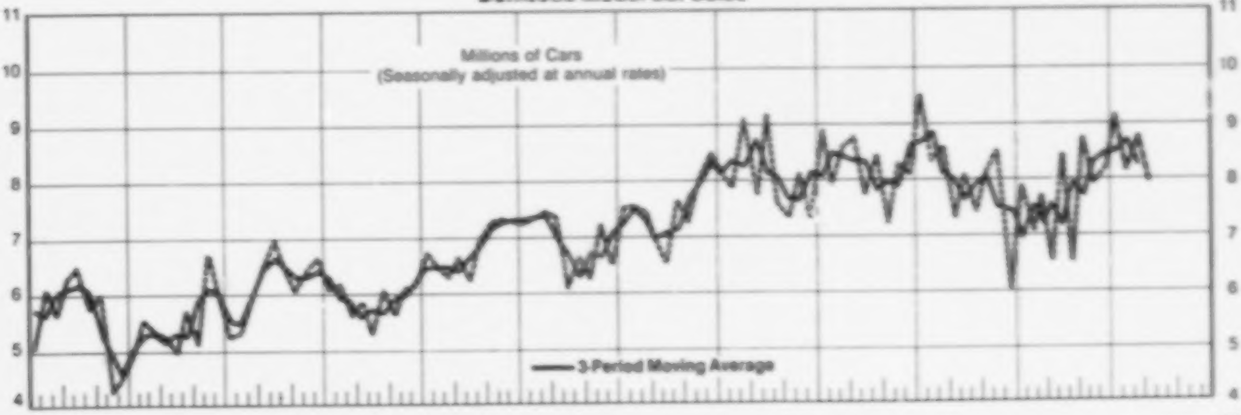
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

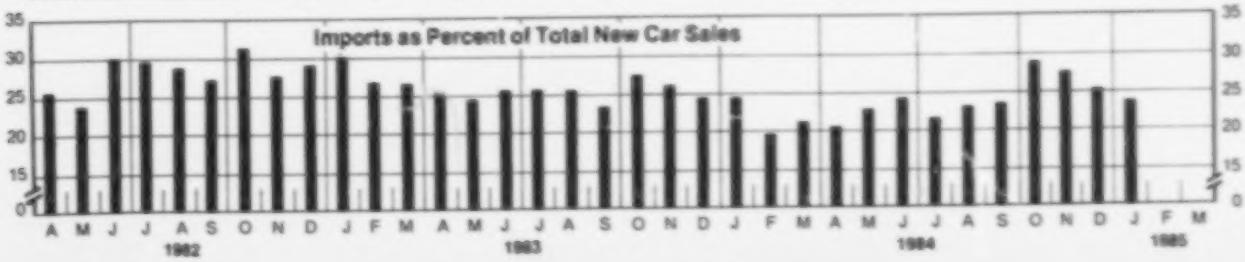
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	5.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	
	21-28(29)	6.06	6.07	7.60	
March:	1-10	5.46	5.61	7.35	
	11-20	5.68	6.10	8.13	
	21-31	6.17	6.19	7.35	
April:	1-10	5.06	6.69	8.86	
	11-20	6.14	6.52	7.96	
	21-30	5.62	6.35	8.60	
May:	1-10	6.31	6.67	8.75	
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	8.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	8.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales




Imports as Percent of Total New Car Sales

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STATISTICAL BULLETIN

Volume 18, No. 3, March, 1985

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The Conference Board

COMMENT

Last June, the *Economic Forecasts* were indicating that 1985 would be a year of rather sluggish economic activity—a median forecast of only about 2% growth in real GNP from the end of 1984 to the end of 1985. The consensus of these eight forecasts was in line with other forecast compilations, such as that put together by Eggert Economic Entreprises, Inc. Prospects have brightened considerably in the last nine months. As shown in the accompanying chart, the median forecast of real GNP growth this year was revised to a quite robust 4% in February, although that figure was trimmed in March. The most prominent change in the economic environment since last Spring has been the faster pace of money growth and the drop of almost 400 basis points in short-term interest rates. Moreover, interest rates abroad have been hiked. The dollar, however, which had appreciated last year on the strength of high domestic rates, continued to rise even as domestic rates came down.

The trade-weighted average *Exchange Rate* of the dollar against other major currencies has risen by about 10% in each of the last four years, and that pace has been maintained in the first months of this year. The dollar is now not only strong but seems to gather strength almost regardless of conditions—as long as inflation remains well in check. And, of course, the strong dollar acts to keep inflation in check. Domestic producers are under fierce competition from imports priced at a steep discount by that strong dollar and are thus compelled to minimize any hikes in the price of their products.

Much of the dollar's strength derives from the relatively poor economic performance of our major trading partners over the last few years. In the case of at least two currencies, however, the rise in the dollar began much earlier. From 1967, which was well before the era of floating exchange rates, to 1978, the year when the dollar's effective *Exchange Rate* bottomed out, the American dollar actually rose by 5.7% against the Canadian dollar and by 43.1% against the British pound.

As shown on the *Foreign Exchange* chart, the dollar's rise against all seven of our major trading partners has been appreciable. In 1978, one American dollar traded for .52 British pounds, 1.14 Canadian dollars, 1.79 Swiss francs, 2 West German marks, 4.5 French francs, 210 Japanese yen and 849 Italian lire. In February, 1985, one American dollar was trading for .92 pounds, 1.38 Canadian dollars, 2.8 Swiss francs, 3.3 marks, 10.2 French francs, 259 yen and 2060 lire.

These exchange rate comparisons show how far the dollar has climbed from the low in 1978. Against the Canadian dollar, however, the American dollar has risen only 21% since 1978; this relatively modest increase reflects both the earlier appreciation and the proximity of the Canadian economy. The dollar has risen by only 23% against the yen, which reflects the fact that the Japanese economy is the healthiest among our major trading partners. Compare that figure with the 58% rise against the Swiss franc and 65% against the mark, two relatively strong currencies of the past decade. Despite this steep appreciation, one dollar trades now for 2.8 Swiss francs and 3.3 marks, considerably less than the 4.3 francs and 4 marks it commanded back in 1967.

The dollar's rise against the other three trading partners has been nothing short of extraordinary. The dollar is now 76% higher against the pound than it was in 1978. And it has climbed 125% against the French franc and 143% against the lira.

The high value of the dollar steeply discounts the price of imported goods. Last Summer, the flow of imports rose sharply as vendors attempted to maintain sufficient supply in order to process current orders and expected increases in demand. Consequently, the balance-of-trade deficit widened considerably. As indicated on the *Retail Sales* chart, growth in consumer spending slowed and an unintended inventory buildup developed. The flow of imports, then, was reduced in the fourth quarter in order to bring inventory more in line with the selling pace.

The big drop in the trade deficit for the fourth quarter of 1984 helped produce a quite healthy gain of 4.9% in real GNP (seasonally adjusted at an annual rate). The big decline in interest rates has helped to sustain the pickup in business investment. Furthermore, it has spread through to consumer loan rates, breathing more life into consumer spending. Consequently, the pace of economic activity in the first quarter of 1985 has probably been only a step slower than it was in the prior quarter; the median of the *Economic Forecasts* shows a 4.1% gain in real GNP.

Rising demand for consumer and capital goods ought to keep the pace of activity lively over the next six months.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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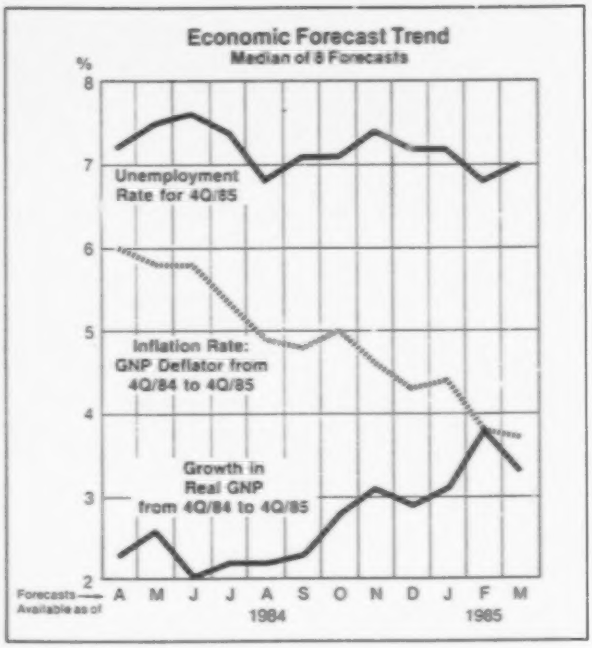


Sales of cars and homes have recently rebounded and consumers will likely have enough income and borrowing power to continue shopping. The January and February readings of The Conference Board's *Consumer Confidence Index* indicate that households are not particularly worried about job or income prospects over the next six months.

Business investment fairly boomed in 1984 and the Conference Board's *Capital Appropriations and Expenditures* survey for the fourth quarter showed no evidence of any slowing. Spending on plant and equipment, by the 1,000 largest manufacturers, rose by almost 9% in the fourth quarter. Capital appropriations (approval of spending on new projects) were also considerably higher. The survey respondents said that they expect their capital spending to rise by 34% in 1985, following a 19% increase in 1984.

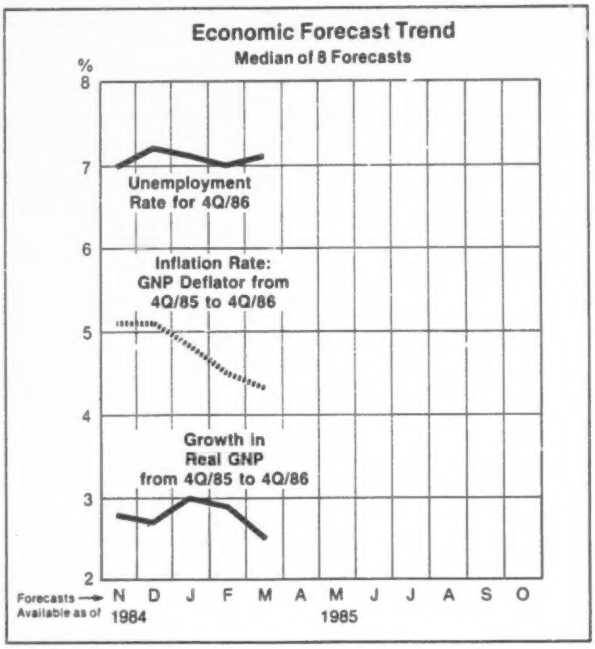
The data on the *Perspective on the Federal Budget* table show that governmental expenditures are also increasing, especially for defense. The revised Congressional Budget Office spending estimates for fiscal 1985 are reasonably close to the Administration's numbers, except for agriculture. CBO's spending estimates for fiscal 1986 are about $20 billion higher than the Administration's. The budget deficit, then, is now pegged at about $215-220 billion for fiscal 1985, and $180-190 billion for fiscal 1986. The *Fiscal Thrust* of these large budget deficits, supplemented by a pickup in money growth and lower interest rates, help clear a path for a little stronger consumer spending and strong business investment. The median of the *Economic Forecasts* is for a 3.4% rise in real GNP in the second quarter of 1985, and 3.2% in the third quarter.

With the dollar as high as it is, imports remain relatively cheap. If these expectations of solid economic performance are on target, the trade deficit is likely to start widening again. Moreover, solid economic performance is likely to be accompanied by solid growth in credit demand. With consumers, business and the government borrowing heavily, interest rates could begin rising in the next few months.

Budget deficits have a stimulative impact on the economy while trade deficits, high interest rates and a high dollar are destimulative. When the trade deficit and interest rates fell in 1984, the balance between the stimulative and destimulative forces shifted, favoring higher economic growth. The pendulum will begin to swing in the other direction. There is general agreement on reducing budget deficits. The Federal Reserve's public pronouncements suggest that no further easing of monetary policy may be forthcoming soon. The trade deficit is unlikely to shrink this year. Only a dollar decline could tip the scales and no one has any semi-educated guess as to when that may get underway.

The median *Economic Forecast* indicates that real output growth will slow to 2.7% in the fourth quarter of 1985 and to 2.2% in the first quarter of 1986. The more pessimistic forecasts indicate that the slowdown in economic growth could be considerably more pronounced than that.

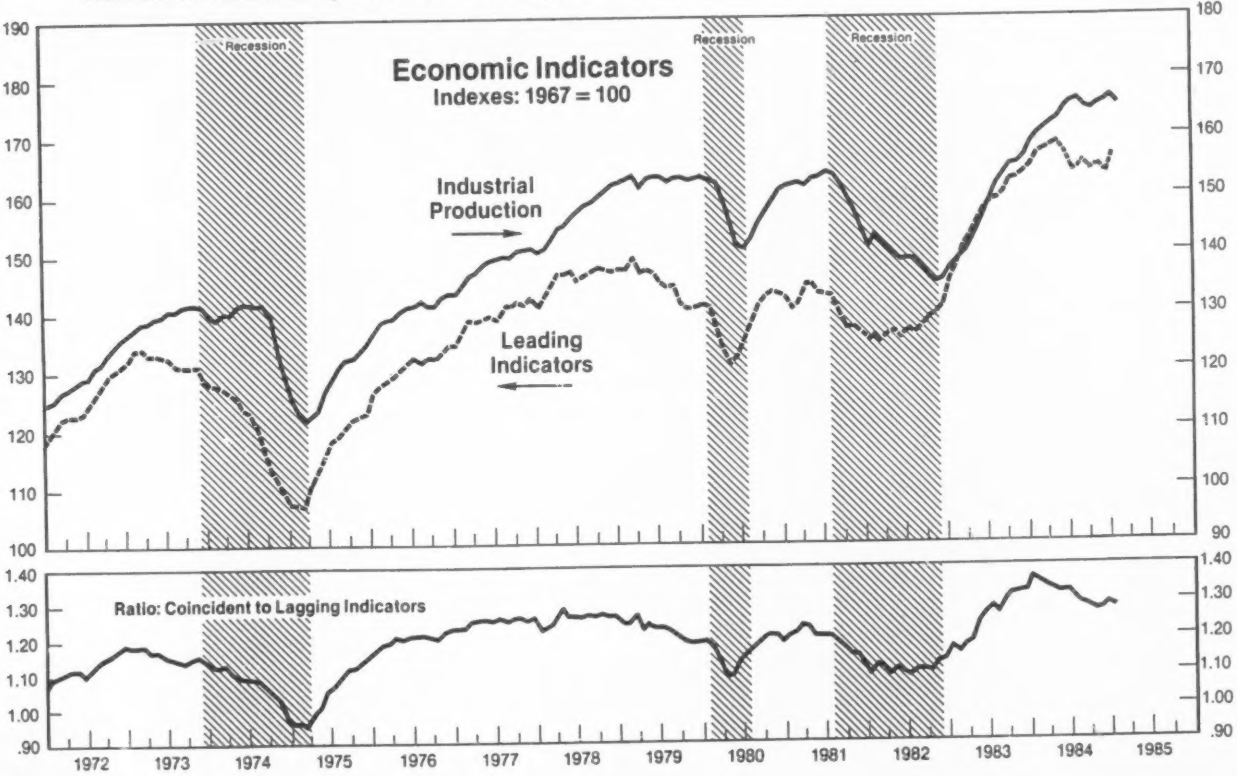
Ken Goldstein
March 11, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.	X			+ 1.6%	+ 1.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.			X	−14.2%	− 11.6%
New orders, nondefense capital goods (deflated)	Jan.			X	−12.2%	− 12.9%
*New business formation	Jan.		X		− 0.6%	+ 0.2%
*Housing permits	Jan.	X			+15.7%	− 8.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.	X			+ 9.6%	+ 4.9%
*Change in inventory, on hand & order (deflated)	Dec.			X	−12.4%	− 12.4%
Purchasing agents' buying policy	Feb.			X	− 6 %	− 10 %
*Vendor performance, reported slower deliveries	Jan.			X	− 5 %	− 16 %
Industrial raw materials prices	Feb.			X	− 5.3%	− 0.4%
*Change in sensitive material prices	Jan.		X		+ 0.2%	− 1.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.	X			+ 2.9%	+ 5.3%
Change in business loans	Jan.		X		−29.2%	+ 61.3%
*Change in credit outstanding	Jan.		X		− 0.1%	+ 4.7%
Change in consumer installment debt	Dec.		X		+32.0%	+ 14.0%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			+ 1.7%	+ 0.0%
*Common stock prices	Feb.	X			+ 9.3%	+ 15.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.			X	− 0.5hr	− 0.9hr
*Initial unemployment claims (inverted)	Feb.	X			+ 8.1%	− 5.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



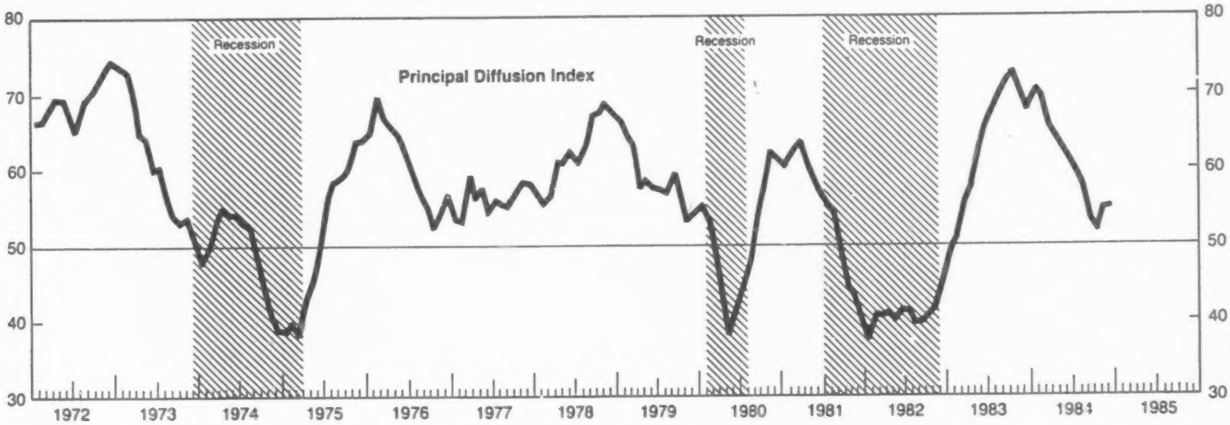
CONFERENCE BOARD DIFFUSION INDEXES

	1984	1985			
DIFFUSION INDEXES	Jan.	Oct.	Nov.	Dec.	Jan.(e)
Principal Diffusion Index	70.7	51.9	54.1r	55.4r	56.6
Auxillary Diffusion Index	57.7	43.3r	57.4r	54.2r	53.8
Industrial Group	71.8	50.9	51.9r	55.7r	54.6
Nonindustrial Group	69.6	52.8	56.4	55.1	58.6
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	63.0	49.1	47.2r	55.1r	61.8
Labor	73.5	53.8	57.4	60.9	54.9
Miscellaneous	80.8	46.2	44.9	43.6	42.9
Nonindustrial Subgroups					
Prices	68.6	37.8	46.2	38.5	39.1
Consumer	76.5	67.9	72.6	66.7	71.8
Building	68.6	55.1	61.5	60.3r	66.0
Miscellaneous	64.1	46.2	43.6	51.3r	53.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982			*1983*				*1984*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
						Score (scale 0-100)					
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	76	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983			1984				Percent Change From Previous Year		
	IIr	IIIr	IVr	Ir	IIr	IIIr	IVp	1983 Actual	1984 Actuals	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.874	22.875	24.262	26.816	37.154	27.592	28.984	1	32	7
Capital expenditures	18.664	18.244	19.560	19.905	21.808	22.924	24.956	−23	19	34
Change in appropriations backlog*	+0.982	+1.988	+0.928	+5.152	+13.867	+3.386	+1.341			
Durable Goods										
New appropriations	9.293	9.119	11.024	13.662	21.216	12.617	14.794	17	58	−17
Capital expenditures	7.717	7.667	8.727	8.714	10.033	11.031	12.469	−19	33	25
Change in appropriations backlog*	+0.887	+1.466	+0.819	+4.057	+10.843	+1.303	+0.890			
Nondurable Goods										
New appropriations	11.581	13.666	13.238	13.154	15.938	14.975	14.190	−9	12	33
Capital expenditures	10.947	10.577	10.833	11.191	11.775	11.893	12.487	−26	9	42
Change in appropriations backlog*	+0.095	+0.522	+0.109	+1.095	+3.024	+2.083	+0.451			
ELECTRIC & GAS UTILITIES										
New appropriations	6.663	5.831	6.968	5.335	8.385	10.801p				
Capital expenditures	9.236	9.024	8.292	8.757	9.150	9.127p				
Change in appropriations backlog*	−6.849	−3.913	−4.056	−5.799	−2.466	+0.646p				

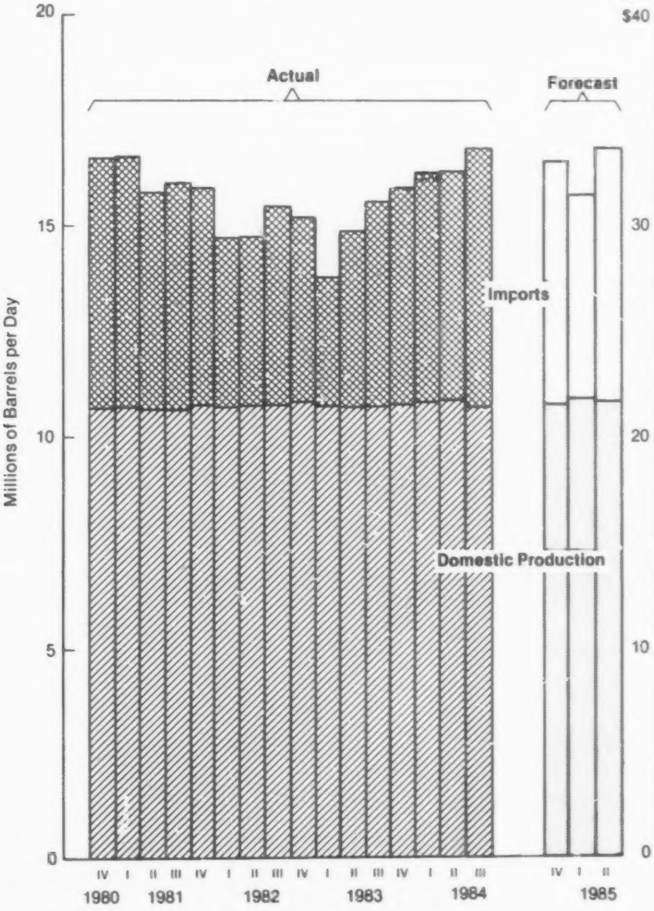
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

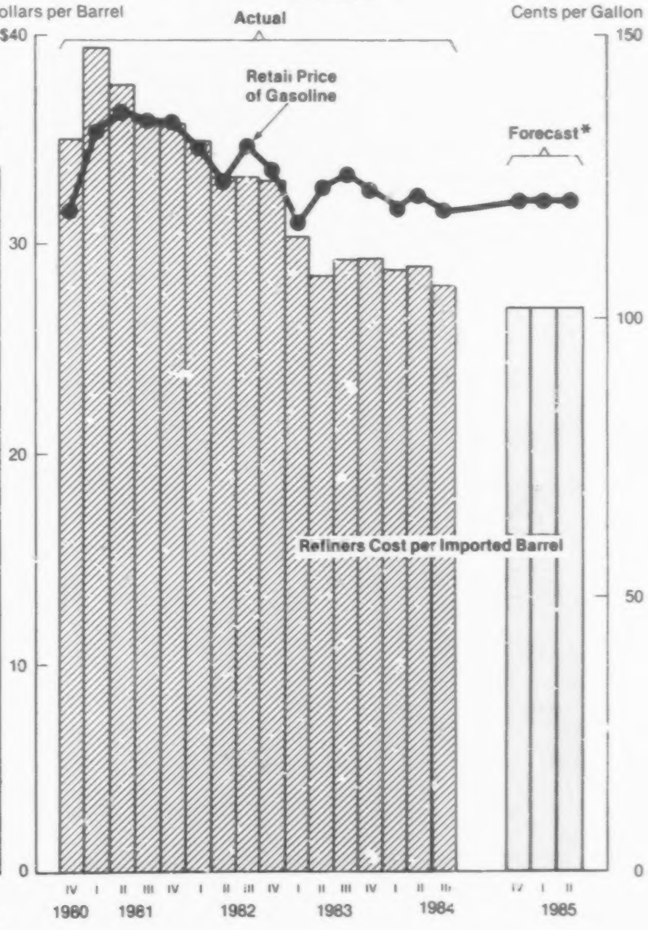
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



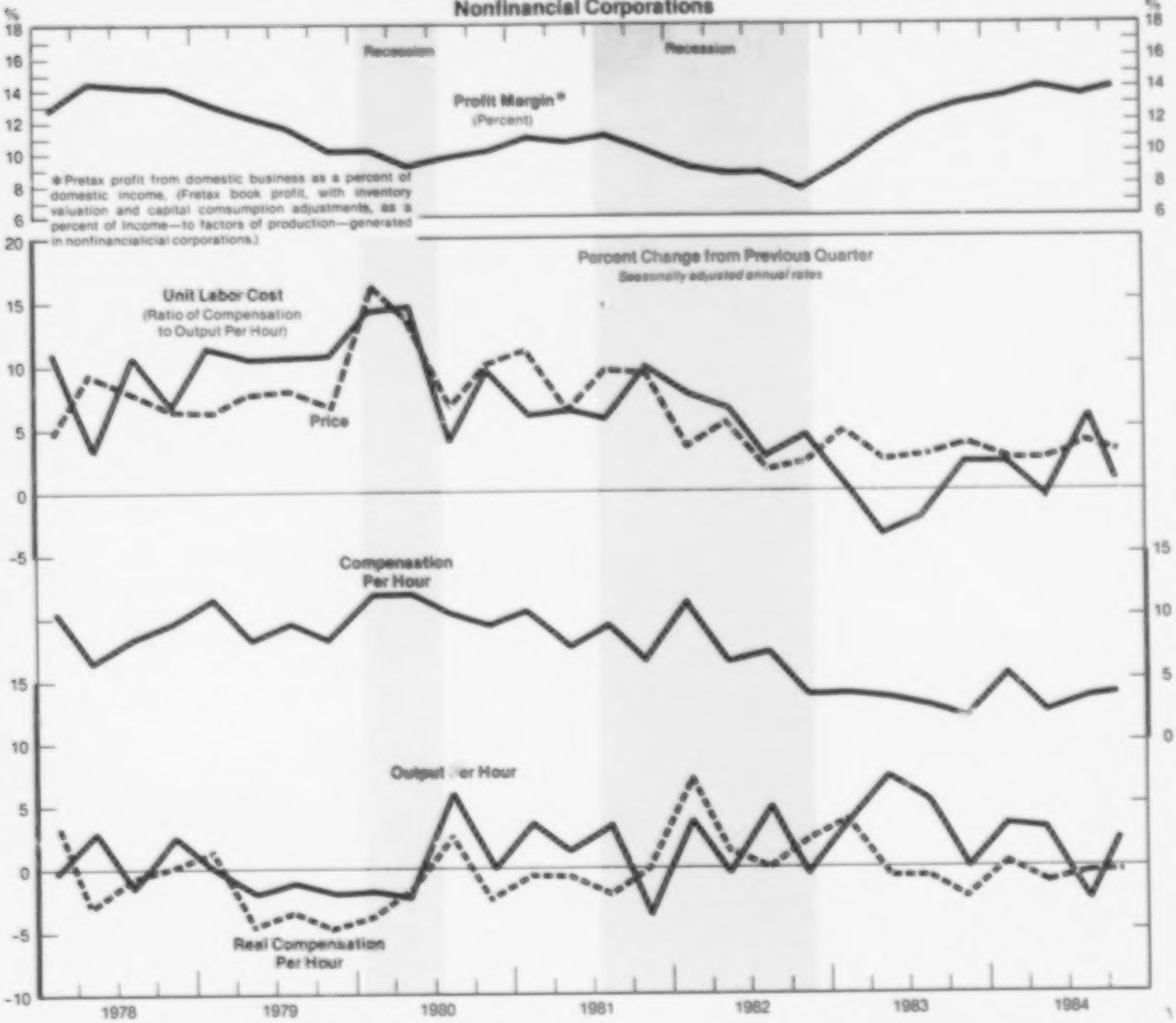
Oil Price



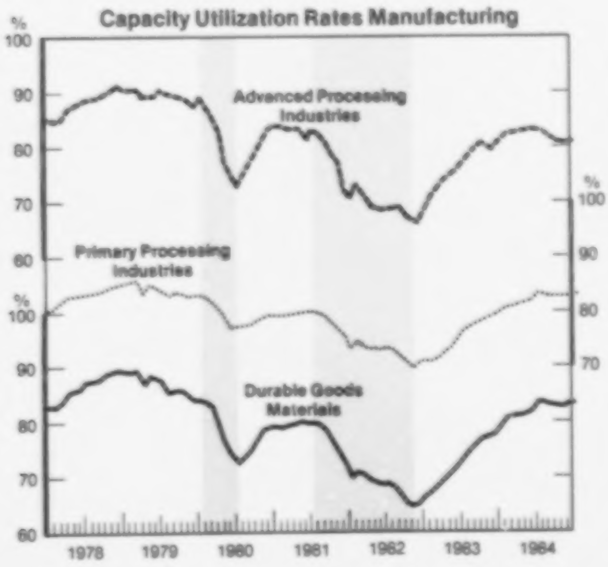
*Source of Forecast is The Energy Information Administration; Department of Energy.

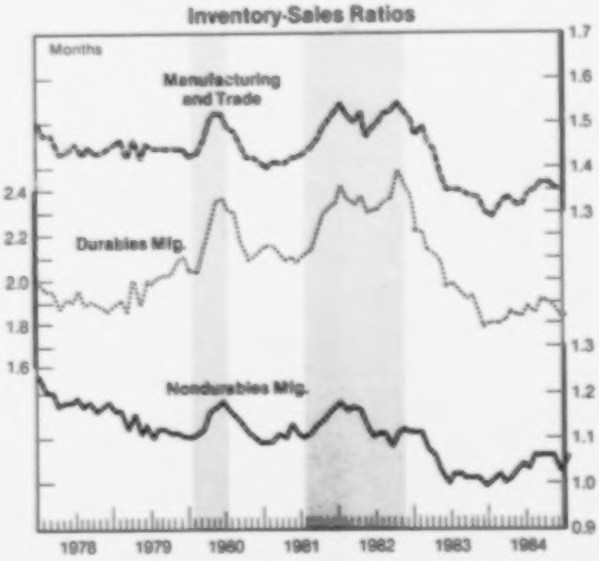
Key Determinants of Profit Margin

Nonfinancial Corporations



*Pretax profit from domestic business as a percent of domestic income. (Fretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)





ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[2]	
Date of Forecast			*Feb., 1985*		*Feb., 1985*		*Feb., 1985*		*Feb., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**IV**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**
	1985	I	3843.7	8.7	3843.6	8.7	3820.8	6.2	3835.4	7.8
		II	3905.2	6.6	3915.3	7.7	3879.2	6.3	3914.2	8.5
		III	3972.9	7.1	3989.5	7.8	3948.2	7.3	3973.6	6.2
		IV	4044.1	7.4	4063.6	7.6	4017.8	7.2	4042.3	7.1
	1986	I	4108.2	6.5	4140.3	7.8	4095.0	7.9	4105.2	6.4
		II	4175.6	6.7	4217.6	7.7	4182.5	8.8	4178.0	7.3
		III	4253.1	7.6	4305.5	8.6	4243.2	5.9	4221.3	4.2
		IV	4345.4	9.0	4395.9	8.7	4246.8	.3	4293.3	7.0
	1987	I	4448.3	9.8						
	1985	Annual	3941.5	7.6	3953.0	7.9	3916.5	6.9	3941.4	7.8
	1986	Annual	4220.6	7.1	4264.8	7.9	4191.9	7.0	4199.5	6.5
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**IV**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**
	1985	I	1681.8	4.1	1680.7	3.9	1678.0	3.2	1682.2	4.2
		II	1697.2	3.7	1694.3	3.3	1691.0	3.1	1704.5	5.4
		III	1714.1	4.0	1707.0	3.0	1704.0	3.1	1718.0	3.2
		IV	1730.5	3.9	1719.4	2.9	1717.0	3.1	1728.6	2.5
	1986	I	1742.8	2.9	1731.4	2.8	1731.5	3.4	1735.9	1.7
		II	1755.2	2.9	1744.8	3.1	1750.0	4.3	1745.8	2.3
		III	1769.9	3.4	1760.0	3.5	1757.0	1.6	1745.0	-.2
		IV	1786.8	3.9	1776.8	3.9	1741.0	-3.6	1754.5	2.2
	1987	I	1807.0	4.6						
	1985	Annual	1705.9	4.0	1700.3	3.7	1697.5	3.5	1708.3	4.2
	1986	Annual	1763.7	3.4	1753.3	3.1	1744.9	2.8	1745.3	2.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**IV**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**
	1985	I	228.5	4.4	228.7	4.7	227.7	2.9	228.0	3.4
		II	230.1	2.7	231.1	4.3	229.4	3.0	229.6	2.8
		III	231.8	3.0	233.7	4.6	231.7	4.1	231.3	2.9
		IV	233.7	3.4	236.3	4.6	234.0	4.0	233.8	4.5
	1986	I	235.7	3.5	239.1	4.8	236.5	4.3	236.5	4.6
		II	237.9	3.7	241.7	4.4	239.0	4.3	239.3	4.8
		III	240.3	4.1	244.6	4.9	241.5	4.3	241.9	4.4
		IV	243.2	4.9	247.4	4.6	243.9	4.1	244.7	4.7
	1987	I	246.2	5.0						
	1985	Annual	231.0	3.4	232.5	4.0	230.7	3.3	230.7	3.3
	1986	Annual	239.3	3.6	243.2	4.6	240.2	4.1	240.6	4.3
Unemployment Rate										
Actual	**1984**	**IV**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
	1985	I		7.2		7.3		7.4		7.4
		II		7.1		7.1		7.3		7.2
		III		7.0		7.1		7.1		6.9
		IV		6.9		6.9		6.9		6.9
	1986	I		6.9		6.9		6.7		6.9
		II		7.0		7.0		6.6		6.9
		III		6.9		7.1		6.8		7.2
		IV		6.9		7.0		7.0		7.2
	1987	I		6.8						
	1985	Annual		7.1		7.1		7.2		7.1
	1986	Annual		6.9		7.0		6.8		7.1

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary fourth quarter data.

[2] Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

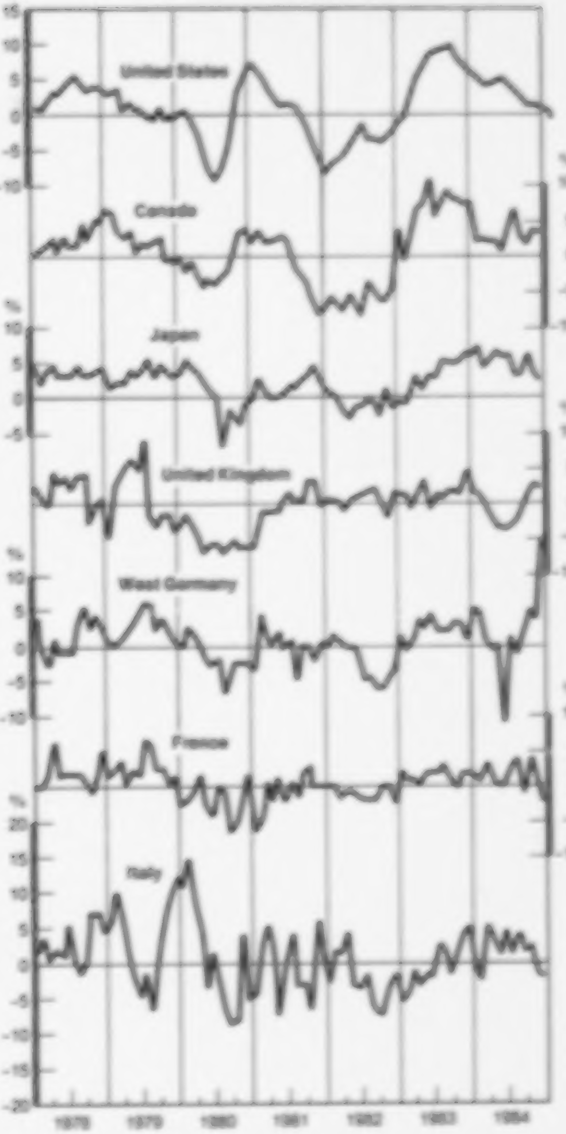
The Conference Board[7]		Chase Econometric Associates, Inc.[8]		Data Resources Inc.[9]		Wharton E.F.A. Inc.[9]				
Jan., 1985		*Feb., 1985*		*Feb., 1985*		*Feb., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3764.2	**7.8%**	**$3764.2**	**7.8%**	**$3764.2**	**7.8%**	IV	1984	Actual
$3817.0	7.1	3848.0	9.2	3835.7	7.8	3855.7	10.1	I	1985	
3896.0	8.5	3919.7	7.7	3894.4	6.3	3910.1	5.8	II		
3970.0	7.8	3995.0	7.9	3954.5	6.3	3966.9	5.9	III		
4039.0	7.1	4044.7	5.1	4013.6	6.1	4027.2	6.2	IV		
4090.0	5.1	4094.4	5.0	4061.4	4.8	4101.8	7.6	I	1986	
4161.0	7.1	4165.8	7.2	4112.1	5.1	4165.7	6.4	II		
4239.0	7.7	4250.1	8.3	4173.4	6.1	4236.8	7.0	III		
4316.0	7.5	4340.6	8.8	4249.6	7.5	4313.0	7.4	IV		
		4438.6	9.3	4336.8	8.5	4396.8	8.0	I	1987	
3931.0	7.4	3951.9	7.9	3924.6	7.1	3940.0	7.5	Annual	1985	
4201.5	6.9	4212.7	6.6	4149.1	5.7	4204.3	6.7	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
		$1664.8	**4.9%**	**$1664.8**	**4.9%**	**$1664.8**	**4.9%**	IV	1984	Actual
$1678.2	4.2	1681.8	4.1	1678.5	3.3	1684.7	4.9	I	1985	
1699.4	5.1	1695.1	3.2	1692.9	3.5	1696.9	2.9	II		
1712.7	3.2	1710.2	3.6	1706.8	3.3	1703.9	1.7	III		
1722.2	2.2	1714.6	1.0	1718.6	2.8	1711.2	1.7	IV		
1722.8	.1	1718.9	1.0	1725.1	1.5	1722.4	2.6	I	1986	
1733.5	2.5	1730.8	2.8	1732.0	1.6	1733.1	2.5	II		
1747.5	3.3	1746.6	3.7	1741.9	2.3	1745.6	2.9	III		
1760.6	3.0	1762.3	3.6	1754.8	3.0	1759.6	3.2	IV		
		1780.4	4.2	1771.9	4.0	1775.0	3.5	I	1987	
1703.1	3.9	1700.4	3.7	1699.2	3.6	1699.2	3.0	Annual	1985	
1741.1	2.2	1739.7	2.3	1738.5	2.3	1740.2	2.4	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
		226.1	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**	IV	1984	Actual
227.4	2.8	228.8	4.9	228.5	4.3	228.9	5.0	I	1985	
229.4	3.4	231.2	4.3	230.0	2.7	230.4	2.6	II		
231.8	4.3	233.6	4.1	231.7	3.0	232.8	4.2	III		
234.5	4.8	235.9	4.0	233.5	3.2	235.3	4.4	IV		
237.4	5.0	238.2	4.0	235.4	3.3	238.1	4.8	I	1986	
240.0	4.5	240.7	4.2	237.4	3.4	240.4	3.9	II		
242.6	4.3	243.3	4.4	239.6	3.7	242.7	4.0	III		
245.1	4.3	246.3	5.0	242.2	4.4	245.1	4.0	IV		
		249.3	5.0	244.8	4.3	247.7	4.3	I	1987	
230.8	3.3	232.4	4.0	230.9	3.4	231.9	3.8	Annual	1985	
241.3	4.6	242.1	4.2	238.7	3.3	241.6	4.2	Annual	1986	
								Unemployment Rate		
	7.2%		**7.2%**		**7.2%**		**7.2%**	IV	1984	Actual
	7.3		7.1		7.3		7.3	I	1985	
	7.1		7.0		7.2		7.1	II		
	7.1		7.0		7.1		7.1	III		
	7.4		7.1		7.2		7.2	IV		
	7.7		7.3		7.3		7.3	I	1986	
	7.8		7.2		7.4		7.3	II		
	7.8		7.1		7.5		7.2	III		
	7.8		7.0		7.6		7.2	IV		
			6.8		7.5		7.2	I	1987	
	7.2		7.1		7.2		7.2	Annual	1985	
	7.8		7.2		7.4		7.2	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

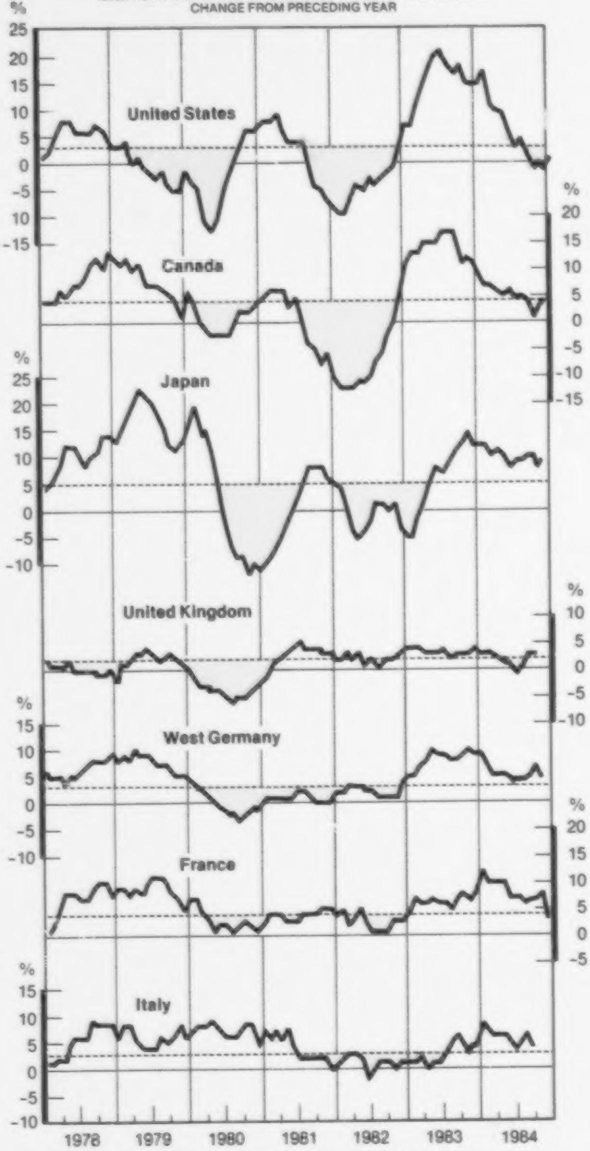
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



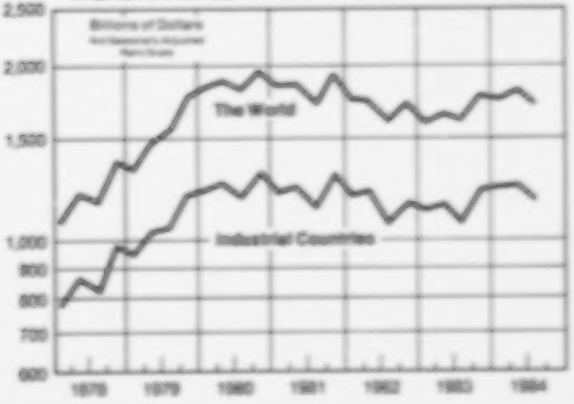
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

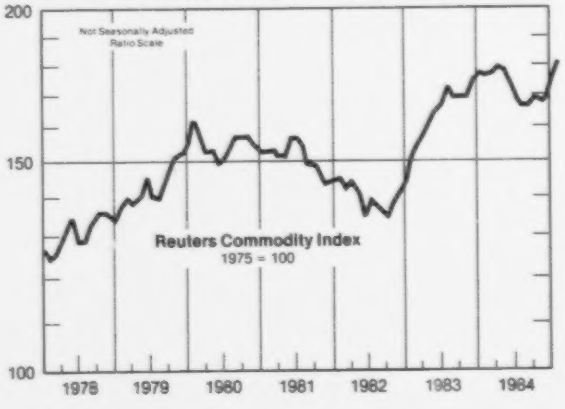


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

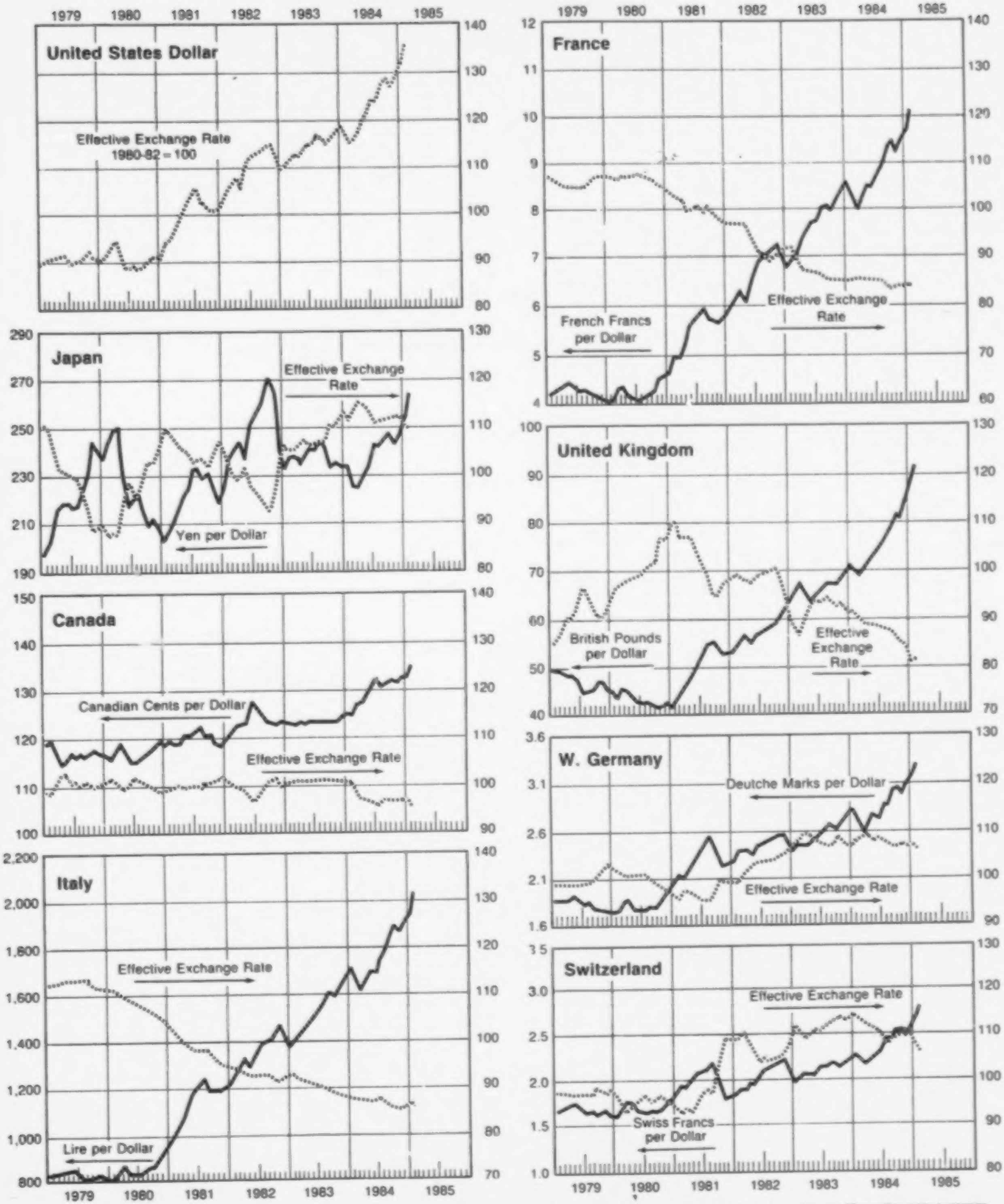


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



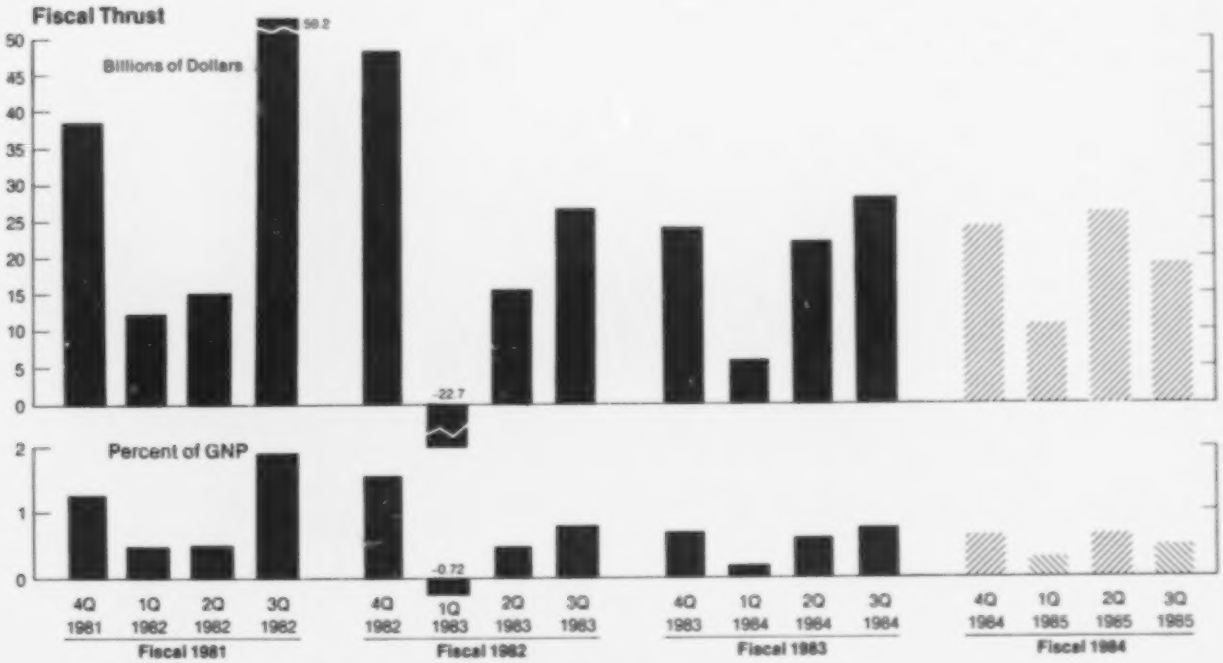
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

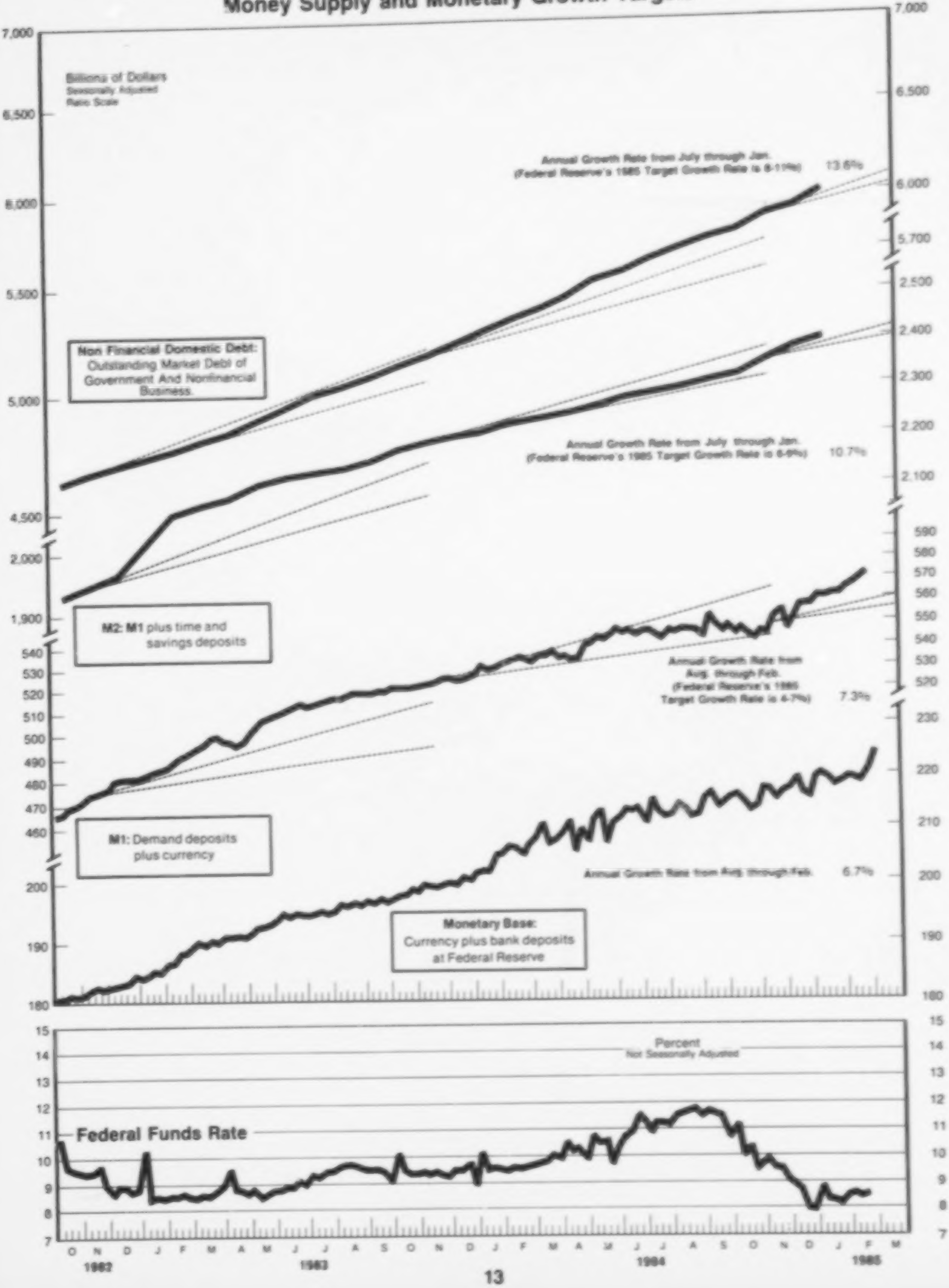
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)
Receipts	736.9	736.9	735.0	794.3	793.7	789.0
Outlays	960.4	959.1	950.0	1,024.5	973.7	975.0
Deficit	-223.6	-222.2	-215.0	-230.3	-180.0	-186.0
Receipts by source	736.9	736.9	735.0	794.3	793.7	789.0
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	66.4	66.4	63.0	74.8	74.1	70.0
Social insurance	268.4	268.4	266.0	289.4	289.4	285.0
Other receipts	72.4	72.4	74.0	70.7	71.3	72.0
Outlays by function	960.4	959.1	950.0	1,024.5	973.7	975.0
National defense	253.2	253.8	252.8	294.6	285.7	284.7
Social security and medicare	257.4	257.4	254.4	273.6	269.4	269.4
Income security	128.3	127.2	127.2	120.8	115.8	115.8
Health	33.9	33.9	33.9	36.7	34.9	34.9
Education and manpower	30.6	30.4	30.4	31.3	29.3	29.3
Veterans' benefits	26.9	26.9	26.9	27.8	26.8	26.8
Transportation	27.0	27.0	26.0	27.9	25.9	25.9
International affairs	19.3	19.6	17.6	19.0	18.3	18.3
National resources and environment	13.0	13.0	13.0	13.2	11.9	11.9
Agriculture	20.2	20.2	21.2	18.1	12.6	11.6
General science	8.7	8.7	8.7	9.3	9.3	9.3
Community development	8.6	8.6	8.6	8.3	7.3	7.3
Justice	6.7	6.7	6.7	6.9	6.6	6.6
General government	5.8	5.8	5.8	5.8	4.8	4.8
Energy	8.7	8.2	8.2	7.9	4.7	4.7
Revenue sharing	6.5	6.6	6.6	6.6	2.8	2.8
Commerce and housing credit	6.0	6.0	6.0	5.3	2.2	2.2
Interest	130.5	130.4	129.4	145.8	142.6	145.6
Allowances	1.1	1.1	1.1	1.7	0.4	0.4
Undistributed offsetting receipts	-32.2	-32.3	-32.3	-36.0	-37.5	-36.5

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



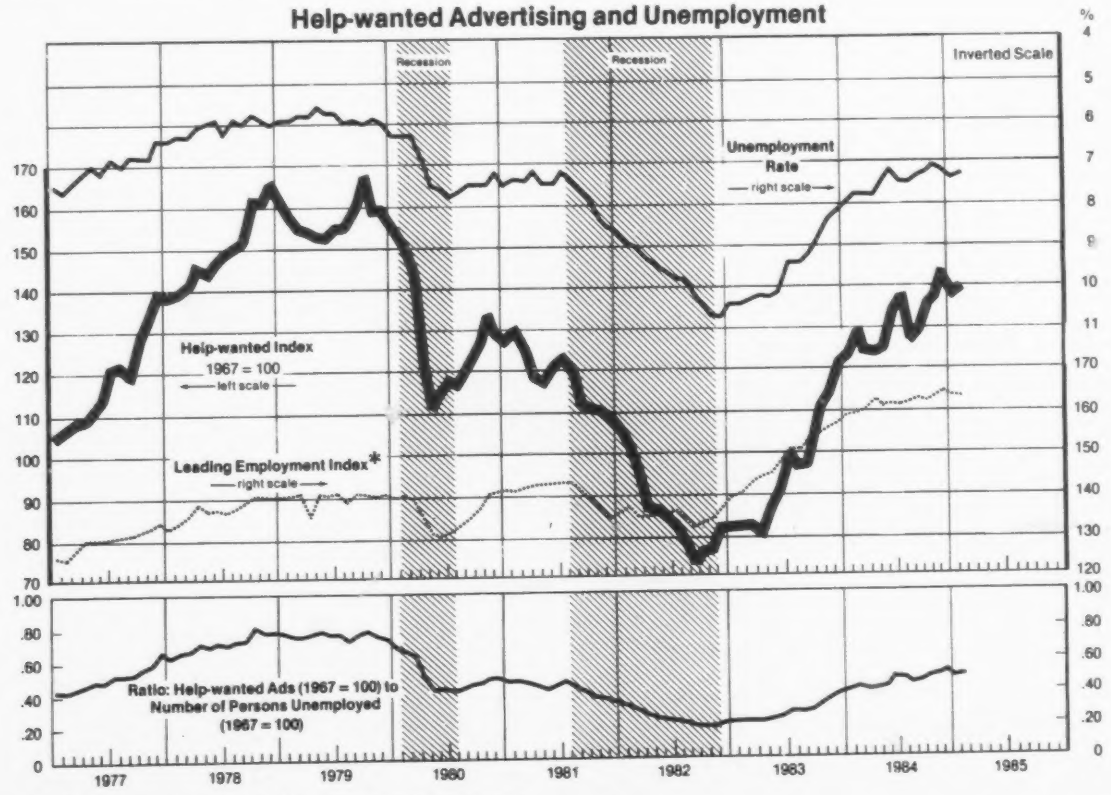
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1985	1984		
Locality	**Jan.**	**Dec.**	**Nov.**	**Jan.**
National Index	138	145	137	123
New England	147	154	143	128
Boston	161	168	154	145
Hartford	N.A.	143	147	125
Providence	109	116	103	75
Middle Atlantic	66	67	63	57
Albany	144	141	130	119
Allentown	202	166	171	151
New York	54	53	52	48
Philadelphia	57	[illegible]	61	51
Pittsburgh	66	71	58	55
Rochester	85	82	76	67
Syracuse	99	112	107	82
East North Central	83	94	84	70
Chicago	90	107	99	81
Cincinnati	130	137	122	86
Cleveland	59	65	57	50
Columbus	137	145	130	103
Dayton	69	73	60	55
Detroit	56	62	52	50
Gary	115	105	104	95
Indianapolis	87	113	95	68
Milwaukee	56	63	55	51
Toledo	114	119	103	92
West North Central	83	98	89	76
Kansas City	121	164	132	98
Minneapolis	81	90	81	73
Omaha	124	117	112	114
St. Louis	N.A.	61	64	55
South Atlantic	165	170	169	145
Atlanta	295	307	309	270
Baltimore	116	112	143	88
Charlotte	151	151	141	129
Jacksonville	191	208	202	166
Miami	79	77	77	83
Richmond	106	105	88	82
Washington, D.C.	168	178	161	147
East South Central	142	143	127	122
Birmingham	149	149	139	127
Knoxville	201	196	178	170
Louisville	85	76	77	69
Memphis	105	107	104	102
Nashville	210	223	171	176
West South Central	279	291	275	278
Dallas	402	423	392	386
Houston	341	358	337	358
New Orleans	117	130	129	127
Oklahoma City	153	159	154	156
San Antonio	210	191	199	186
Tulsa	158	177	154	143
Mountain	311	353	336	287
Denver	N.A.	N.A.	214	208
Phoenix	457	552	493	374
Salt Lake City	347	378	353	317
Pacific	206	206	200	181
Los Angeles	157	153	148	147
Sacramento	341	329	321	306
San Bernardino	228	210	187	165
San Diego	434	404	431	360
San Francisco	212	238	223	170
Seattle	185	186	182	182
Percentage of papers with rising volume	31	80%	55%	59%
Unemployment rate	7.4%	7.2%	7.1%	8.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

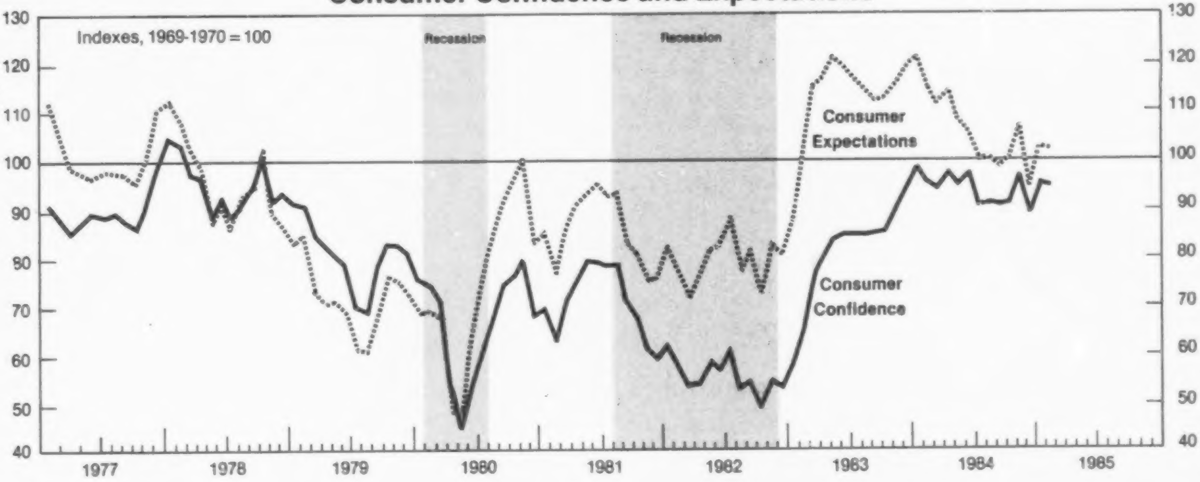
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4r	95.2p										
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3r	103.9p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

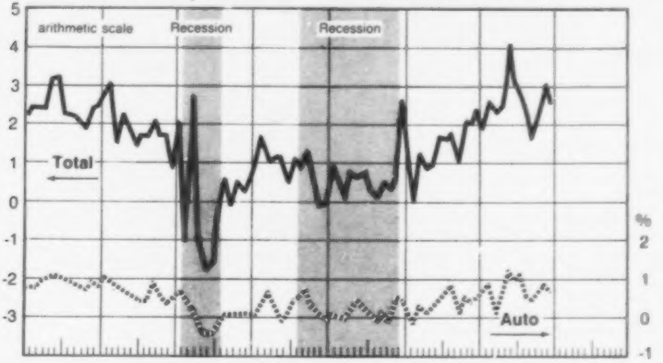
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

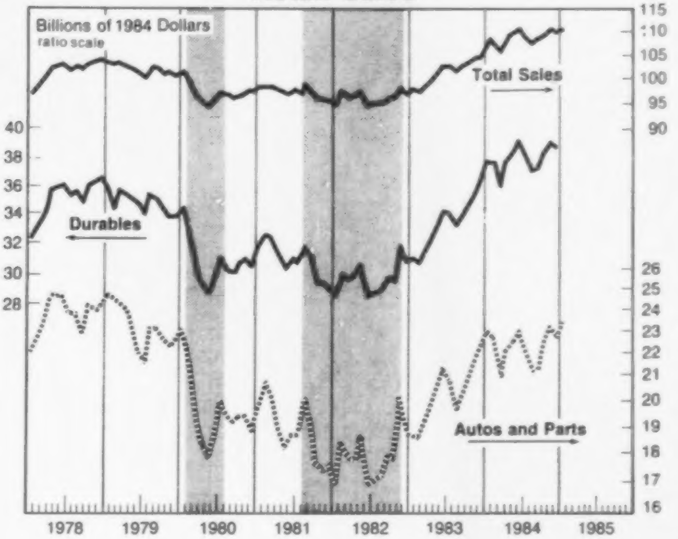
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



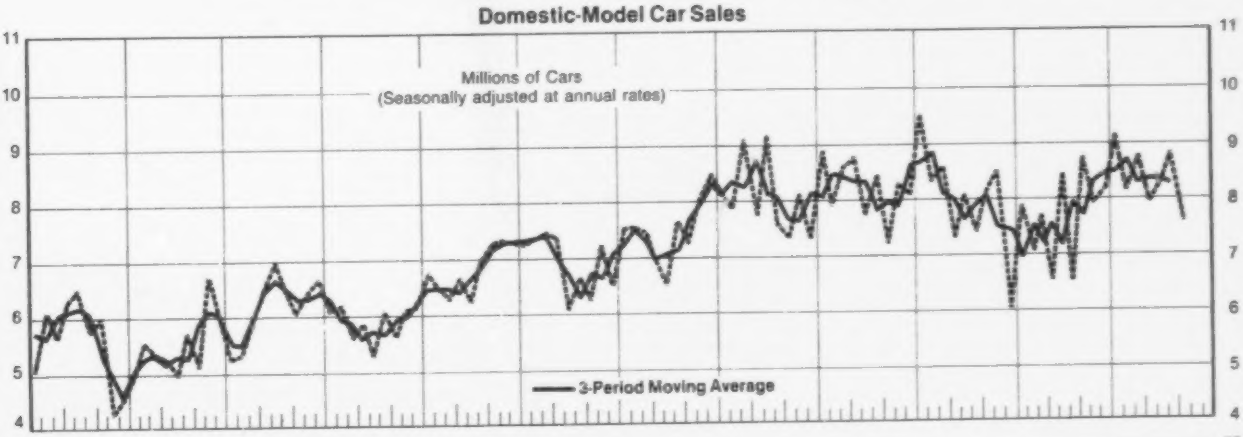
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

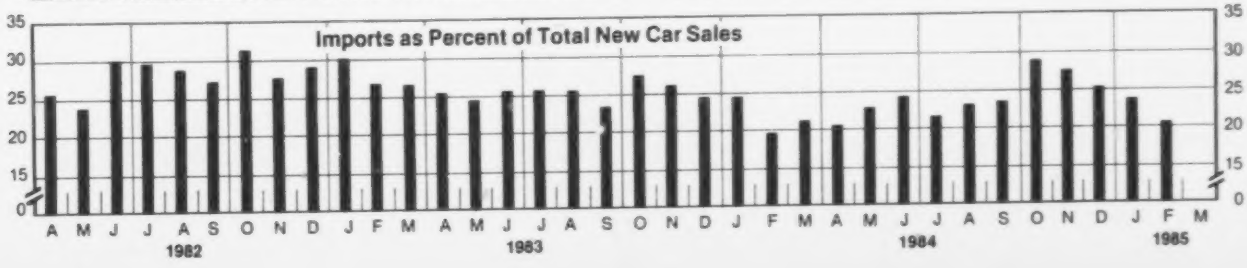
Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	
	21-31	6.17	6.19	7.35	
April:	1-10	5.06	6.69	8.88	
	11-20	6.14	6.52	7.96	
	21-30	5.62	6.35	8.60	
May:	1-10	6.31	6.67	8.75	
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales



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The Conference Board

COMMENT

Only last month, we said in this space that the dollar is not only strong but seems to gather strength almost regardless of economic conditions—as long as inflation remains well in check. There is no evidence that inflation got out of check in March, but the dollar's value declined by about 10% against several European currencies in the last two weeks of the month. When the value of the dollar changes by a percentage point or two in a single day, it would seem that speculative forces outweigh economic fundamentals in international exchange.

At the moment, those speculative forces are weighing down the dollar. As shown on the *Foreign Exchange Market Rates* chart, however, the dollar has merely lost some of the gains recorded earlier this year. It is still higher than it was on New Year's Day, 1985. One big question mark is whether it will be higher or lower on New Year's Day, 1986 than it is now. The dollar is no longer gathering strength almost regardless of conditions. A significantly stronger dollar by year's end is less likely than a significantly lower dollar. The latter outcome would result in somewhat higher price increases but would also help stem the flood of imports. That, in turn, would give a boost to domestic production, provided consumer demand for goods maintains some forward momentum and business investment demand does not weaken appreciably. In times such as these, forecasts identify more questions than answers—especially forecasts of the future.

Retailers were unpleasantly surprised at the lukewarm reception their heavily-advertised wares received from shoppers during the Christmas season. Nor have retail sales surged in subsequent months, despite lower rates on some types of consumer loans. Further, the outlook for consumer demand, especially on the big-ticket durable items, is not all that rosy.

With the economic expansion now in its third year, consumer attitudes are still quite positive. Households remain convinced that the economy is not about to fall into recession, but they are less sure now that better times lie immediately ahead. The Conference Board's *Consumer Confidence Index* quickly rose from 58.0 (1969-1970 = 100) in January, 1983 to 90.2 in November, 1983. Of course, the improvement in the unemployment rate, from 10.4% to 8.4%, helped ease concerns about potential job loss. The *Consumer Confidence Index* remained within a range of 90 to 98 over the next twelve months. It dipped to 85.9 in December, 1984, recovered to 95 in January and February but then fell to 88.1 in March.

Consumers' appraisal of present business conditions has remained very steady, and positive, over this period. Their appraisal of conditions over the next six months, however, has steadily eroded. Exactly two years ago, the *Expectations Index*, a component of the overall series, reached a record level of 120. It returned to that peak at the end of 1983 but then declined to 100 by August, 1984, recovered to 107 by November and then declined to 94 by March. Meanwhile, the unemployment rate improved to 7.5% by May, 1984 but was still at 7.3% in March, 1985. The consumer survey respondents, although optimistic about economic conditions, are saying that jobs are becoming a little more difficult to find. Most of the respondents expect the employment picture to be about the same six months from now as it is currently but a growing minority think it may get a little worse before it gets any better.

In the early days of recovery, with consumer confidence at a peak, households willingly spent their incomes and borrowed liberally. The ratio of *Consumer Installment Debt Expansion to Personal Income* quickly rose from 0 (households paid off as much old debt as they were incurring) in early 1983 to a little over 2% by October, 1983, and to a little over 4% by May, 1984. Since then, the ratio has declined to about 2½% by January, 1985. After two years of freely piling up debt, consumers, now not quite so supremely confident about continued strong economic expansion, are a little more cautious about borrowing.

With households attempting to curb their borrowing, increases in consumer demand are now more in line with increases in purchasing power. Personal income, adjusted for inflation, rose at about a 5% annual rate over the four months ending in January, 1985. Retail sales, adjusted for inflation, rose at about a 5.3% annual rate over this period. In February, however, real retail sales increased by 1.1% while real personal income remained flat. Even discounting the seasonal adjustment problems caused by erratic winter weather, these data suggest that a slower pace of demand in the next few months is more likely than any surge in buying. In fact, consumer spending on cars and other durable goods may even decline in the second half of 1985.

Business investment fairly boomed in 1984 and the Conference Board's *Capital Appropriations and Expenditures* survey of the nation's 1,000 largest manufacturers for the fourth quarter of 1984 showed no evidence of any slowing. The survey respondents said that they expect their capital spending to rise by 34% in 1985, following a 19%

Ken Goldstein, Editor
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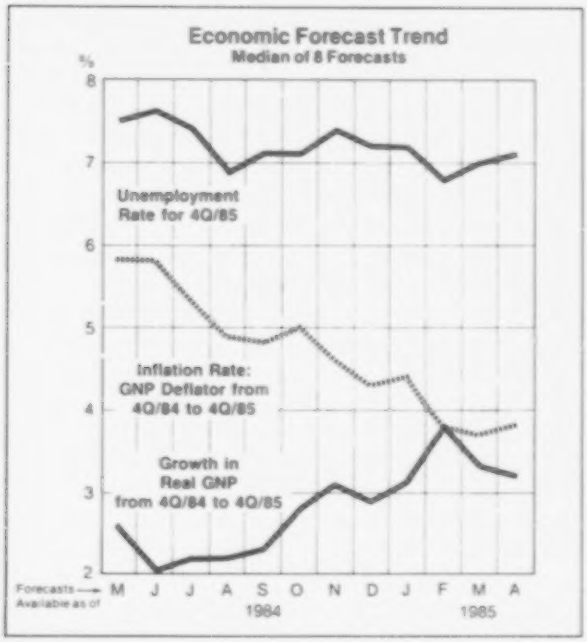


increase in 1984. However, some of that is going to be spent on imported equipment.

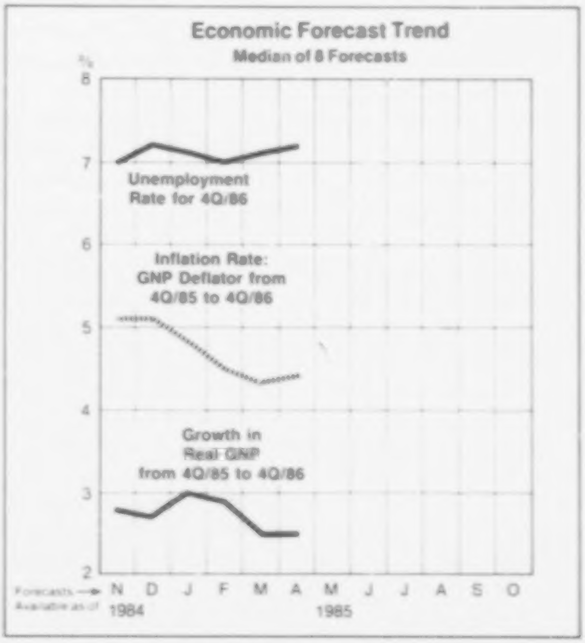
Both consumers and business have been buying lots of foreign-produced goods, taking advantage of the steep discount the strong dollar imparts to imports. Industrial production rose by a mere 1% annual rate in the four months ending in January. Industrial production actually declined in February but then rose a bit in March. Erratic winter weather again makes it difficult to make too much of these latest readings. The capacity utilization series, however, clearly show that domestic production is being hampered by more than snow and cold temperatures. The operating rate for advanced-processing manufacturers first reached the 82% level in February, 1984 and remained at 82% through August, 1984. But, it had declined to 80% by February, 1985.

The late-March decline in the dollar did not go far enough or last long enough to have much impact on the discounted prices of imports. The pace of consumer and business spending, then, is likely to continue to outrun gains in production as buyers continue taking advantage of relative bargains. Slow gains in production will continue to limit the number of new jobs opening up, which will continue to dampen consumer confidence. More importing, then, spells little relief from huge trade deficits, which have a way of steadily eroding economic momentum.

The *Economic Forecasts* indicate that the pace of activity will be slowing in the second half of this year. The median of the Forecasts shows that real GNP growth will be 3.4% in the second quarter of 1984, following a 3.3% rise in the first quarter (seasonally adjusted annual rates). Real output growth is then expected to fall to 3.1% in the third quarter, 2.7% in the fourth quarter and 2.6% in the first quarter of 1986. These slightly slower economic growth rates imply that the balance-of-trade deficit may not widen too precipitously. Further, a slight drop in demand, especially for consumer durables, may keep growth in credit demand from putting upward pressure on interest rates. Only a short while ago, many analysts thought rates would rise this year. It now appears likely that interest rates will not rise at all in 1985. No increase in rates and somewhat slower economic growth could dampen the speculation in international exchange markets. A decline in the value of the dollar now appears more likely than any rise in interest rates.

The median *Economic Forecast* indicates that real output growth may quicken a bit to 2.9% in the second and third quarters of 1986, and return to a quite robust 3.5-to-4% rate in the last two quarters of the forecast horizon. The more pessimistic forecasts indicate that the slowing in growth may be more pronounced—perhaps even including a brief period of outright decline—and not much pickup in the pace of activity later this year or next.

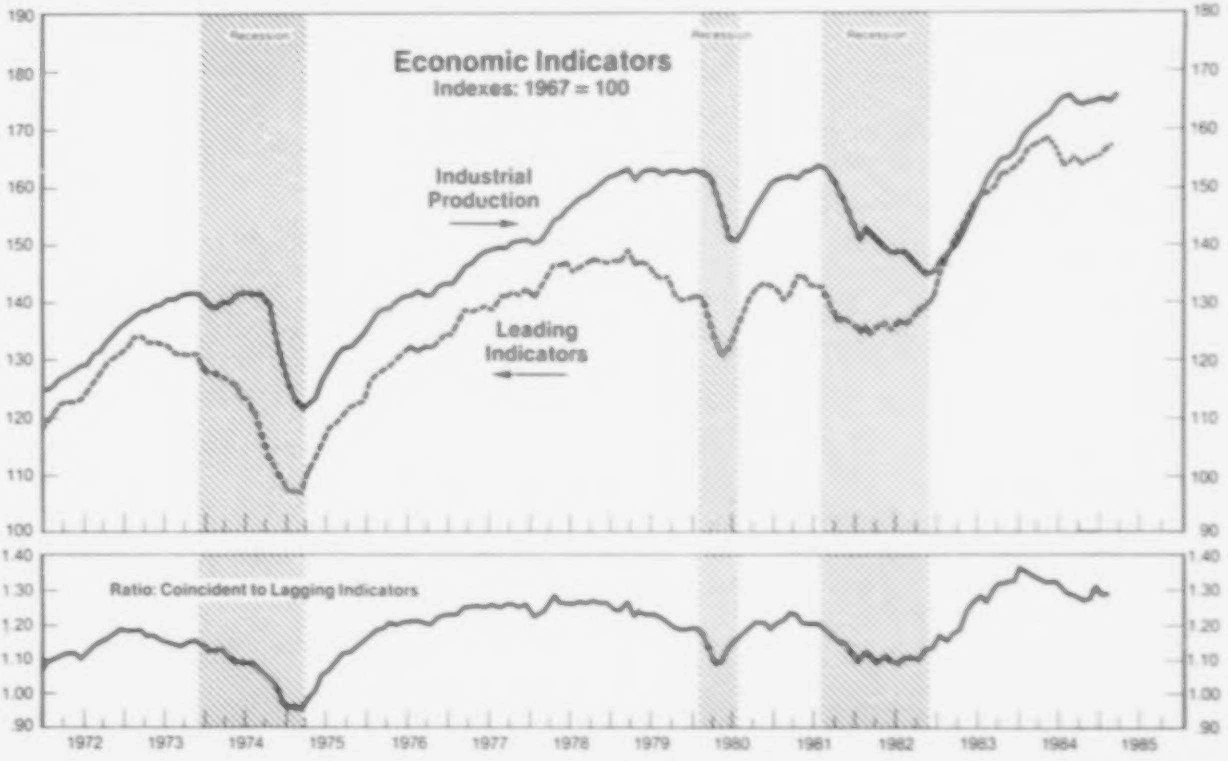
Ken Goldstein
April 9, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.	X			+ 1.6%	+ 0.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.	X			+15.7%	+19.5%
New orders, nondefense capital goods (deflated)	Feb.	X			+19.5%	+21.1%
*New business formation	Feb.		X		+ 2.6%	+ 0.7%
*Housing permits	Feb.		X		+ 0.6%	−15.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		+ 3.0%	− 0.5%
*Change in inventory, on hand & order (deflated)	Jan.			X	−16.1%	−16.2%
Purchasing agents' buying policy	Mar.		X		0 %	−11.0%
*Vendor performance, reported slower deliveries	Feb.		X		− 2.0%	−20.0%
Industrial raw materials prices	Mar.			X	− 4.0%	−13.1%
*Change in sensitive material prices	Feb.		X		− 0.4%	− 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Feb.	X			+ 2.3%	+ 5.5%
Change in business loans	Feb.		X		−30.6%	−42.4%
*Change in credit outstanding	Jan.		X		+ 1.3%	+ 6.1%
Change in consumer installment debt	Jan.	X			+11.4%	+33.1%
Profitability						
Total corporate profits, after tax (deflated)	4th Q		X		− 0.2%	− 1.2%
*Common stock prices	Mar.	X			+ 9.1%	+14.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.		X		− 0.3hr	− 0.3hr
*Initial unemployment claims (inverted)	Mar.		X		− 1.0%	−12.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984	1985			
	Feb.	Nov	Dec	Jan.	Feb.(e)
Principal Diffusion Index	71.5	53.8r	54.3r	55.5r	53.9
Auxillary Diffusion Index	48.1	57.3r	51.6r	54.0r	44.8
Industrial Group	74.3	50.5r	49.8r	49.2r	47.4
Nonindustrial Group	68.7	57.2r	58.8r	61.9r	60.5
Sense of Diffusion	1.0	1.0	.0	.0	.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	82.0	47.2	39.7r	47.6r	44.9
Labor	77.6	54.7r	58.3r	52.6r	50.6
Miscellaneous	84.6	44.9	43.6	42.9	42.9
Nonindustrial Subgroups					
Prices	57.7	46.2	38.5	39.1	40.4
Consumer	83.8	73.9r	77.8r	81.6r	79.9
Building	66.7	61.5	67.9r	65.4r	63.5
Miscellaneous	62.4	44.9r	47.4r	55.1r	52.6

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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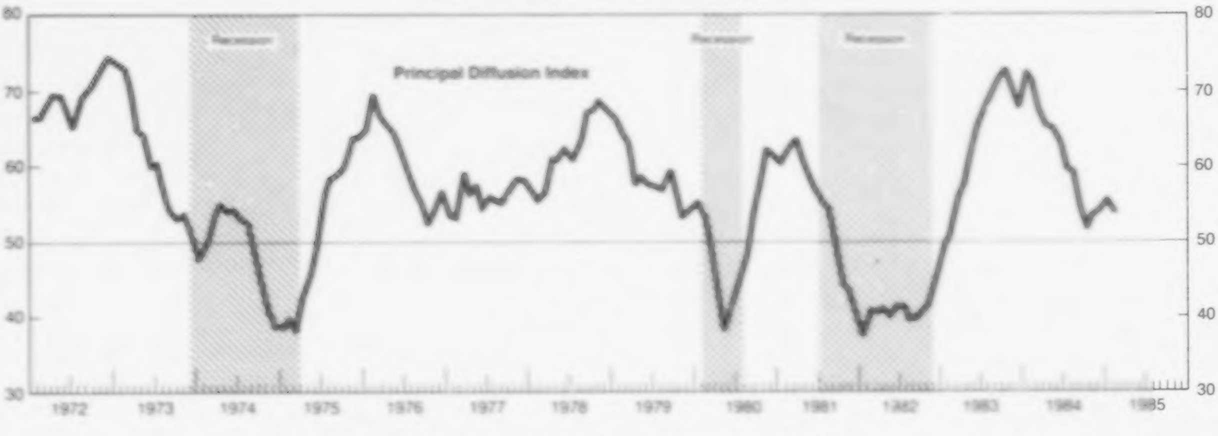
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982		*1983*				*1984*				*1985*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	55	60	70	76	75	74	70	65	61	57	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	38	44	65	76	82	80	76	75	70	57	62
2. Expectations for Economy, Six Months Ahead	65	70	76	78	74	73	67	60	57	57	61
3. Expectations for Own Industry, Six Months Ahead	61	65	70	72	69	70	67	61	57	58	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983			1984				Percent Change From Previous Year		
	IIr	IIIr	IVr	Ir	IIr	IIIr	IVp	1983 Actual	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.874	22.875	24.262	26.816	37.154	27.592	28.984	1	32	7
Capital expenditures	18.664	18.244	19.560	19.905	21.808	22.924	24.956	−23	19	34
Change in appropriations backlog*	+0.982	+1.988	+0.928	+5.152	+13.867	+3.386	+1.341			
Durable Goods										
New appropriations	9.293	9.119	11.024	13.662	21.216	12.617	14.794	17	58	−17
Capital expenditures	7.717	7.667	8.727	8.714	10.033	11.031	12.469	−19	33	25
Change in appropriations backlog*	+0.887	+1.466	+0.819	+4.057	+10.843	+1.303	+0.890			
Nondurable Goods										
New appropriations	11.581	13.666	13.238	13.154	15.938	14.975	14.190	−9	12	33
Capital expenditures	10.947	10.577	10.833	11.191	11.775	11.893	12.487	−26	9	42
Change in appropriations backlog*	+0.095	+0.522	+0.109	+1.095	+3.024	+2.083	+0.451			
ELECTRIC & GAS UTILITIES										
New appropriations	6.831	5.752	6.561	5.090	7.843	9.675	11.383	−30	26	
Capital expenditures	8.966	8.922	8.676	8.737	8.859	9.019	9.190	−2	1	
Change in appropriations backlog*	−6.601	−4.321	−4.415	−6.109	−2.971	−1.526	−3.086			

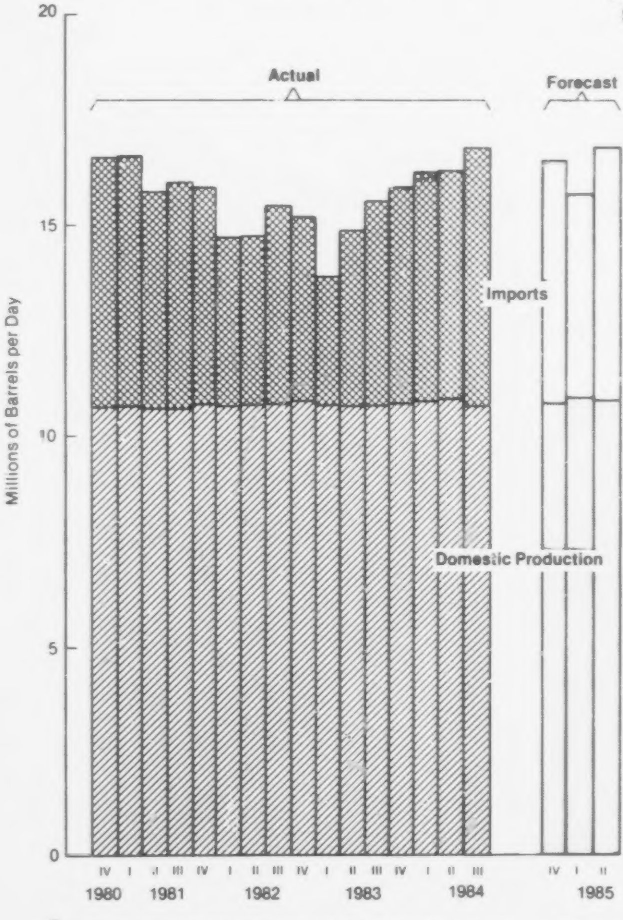
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

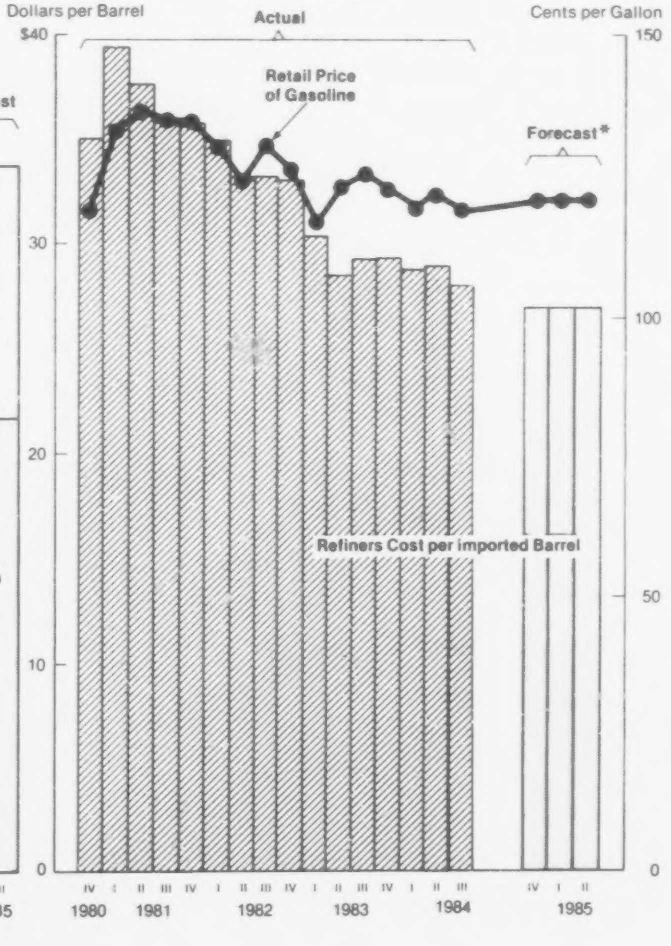
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



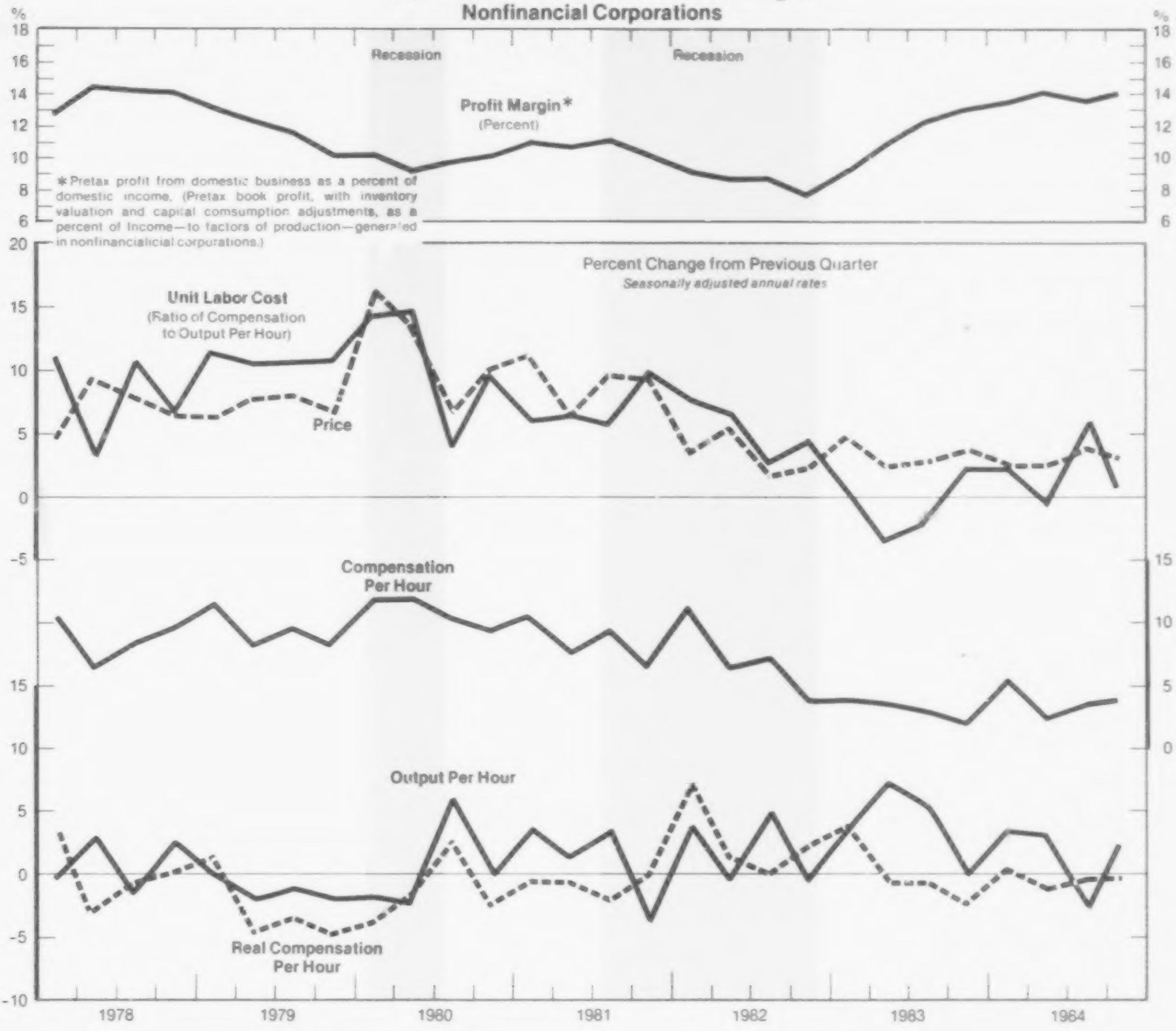
Oil Price



*Source: of Forecast is The Energy Information Administration; Department of Energy.

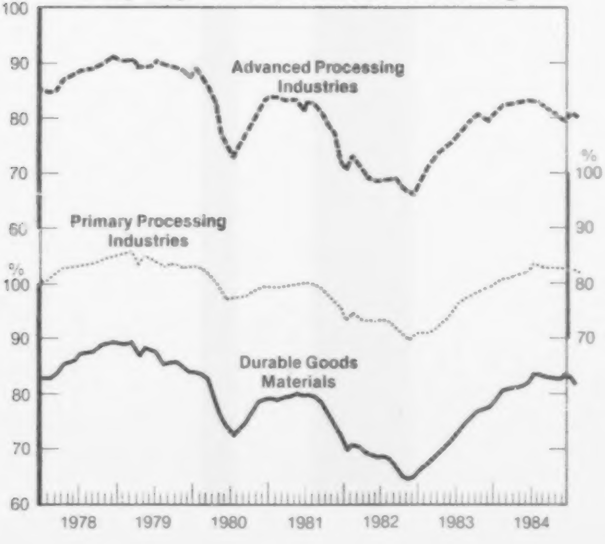
Key Determinants of Profit Margin

Nonfinancial Corporations

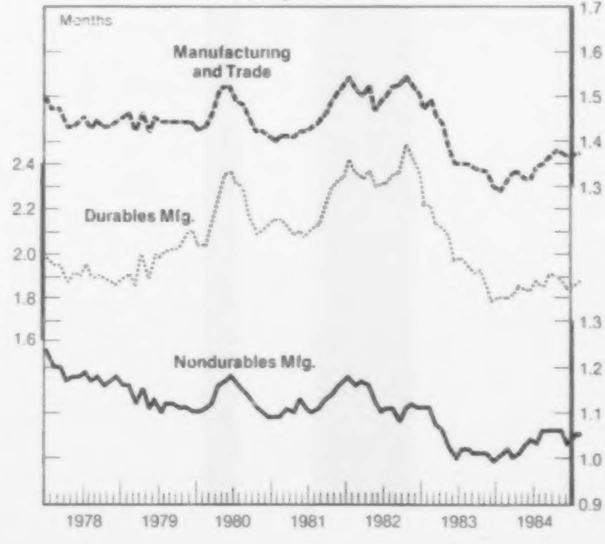


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital comsumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[2]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Mar., 1985*		*Mar., 1985*		*Mar., 1985*		*Mar., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**IV**	**$3758.7**	**7.1%**	**$3758.7**	**7.1%**	**$3758.7**	**7.1%**	**$3758.7**	**7.1%**
	1985	I	3840.8	9.0	3830.3	7.8	3828.3	7.6	3835.4	8.4
		II	3901.2	6.4	3904.4	8.0	3865.9	4.0	3915.0	8.6
		III	3968.3	7.1	3979.2	7.9	3931.9	7.0	3985.7	7.4
		IV	4037.1	7.1	4047.7	7.1	3997.8	6.9	4052.7	6.9
	1986	I	4095.3	5.9	4114.0	6.7	4065.4	6.9	4124.9	7.3
		II	4153.1	5.8	4193.8	8.0	4149.0	8.5	4206.6	8.2
		III	4217.3	6.3	4276.4	8.1	4206.9	5.7	4249.7	4.2
		IV	4293.9	7.5	4366.8	8.7	4267.6	5.9	4277.7	2.7
	1987	I	4379.5	8.2						
	1985	Annual	3936.9	7.5	3940.4	7.6	3906.0	6.6	3947.2	7.8
	1986	Annual	4189.9	6.4	4237.8	7.5	4172.2	6.8	4214.7	6.8
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**IV**	**$1662.4**	**4.2%**	**$1662.4**	**4.2%**	**$1662.4**	**4.2%**	**$1662.4**	**4.2%**
	1985	I	1680.7	4.5	1674.6	3.0	1671.0	2.1	1675.8	3.3
		II	1695.8	3.6	1689.6	3.6	1683.0	2.9	1697.6	5.3
		III	1712.8	4.1	1703.4	3.3	1697.0	3.4	1712.2	3.5
		IV	1729.1	3.9	1713.7	2.4	1707.0	2.4	1721.1	2.1
	1986	I	1740.7	2.7	1723.4	2.3	1719.0	2.8	1730.9	2.3
		II	1751.7	2.6	1737.1	3.2	1736.0	4.0	1744.6	3.2
		III	1764.9	3.0	1751.3	3.3	1742.0	1.4	1741.1	-.8
		IV	1780.6	3.6	1768.2	3.9	1749.0	1.6	1730.1	-2.5
	1987	I	1800.0	4.4						
	1985	Annual	1704.6	4.0	1695.3	3.4	1689.5	3.1	1701.7	3.8
	1986	Annual	1759.5	3.2	1745.0	2.9	1736.5	2.8	1736.7	2.1
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**IV**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**
	1985	I	228.5	4.4	228.7	4.7	229.1	5.4	228.9	5.0
		II	230.1	2.7	231.1	4.2	229.7	1.1	230.6	3.1
		III	231.7	2.9	233.6	4.4	231.7	3.5	232.8	3.8
		IV	233.5	3.1	236.2	4.5	234.2	4.4	235.5	4.7
	1986	I	235.3	3.1	238.7	4.3	236.5	4.0	238.3	4.9
		II	237.1	3.1	241.4	4.6	239.0	4.3	241.1	4.8
		III	239.0	3.2	244.2	4.7	241.5	4.3	244.1	5.0
		IV	241.1	3.7	247.0	4.6	244.0	4.2	247.3	5.3
	1987	I	243.3	3.6						
	1985	Annual	230.9	3.4	232.4	4.0	231.2	3.5	231.9	3.8
	1986	Annual	238.1	3.1	242.8	4.5	240.2	3.9	242.7	4.6
Unemployment Rate										
Actual	**1984**	**IV**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
	1985	I		7.2		7.3		7.3		7.3
		II		7.1		7.2		7.2		7.2
		III		7.0		7.1		7.1		6.9
		IV		7.0		6.9		6.9		6.8
	1986	I		7.0		6.9		6.9		6.9
		II		7.0		7.0		6.8		7.2
		III		7.0		7.1		6.7		7.5
		IV		7.0		7.0		6.8		7.7
	1987	I		6.9						
	1985	Annual		7.1		7.1		7.1		7.1
	1986	Annual		7.0		7.0		6.8		7.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

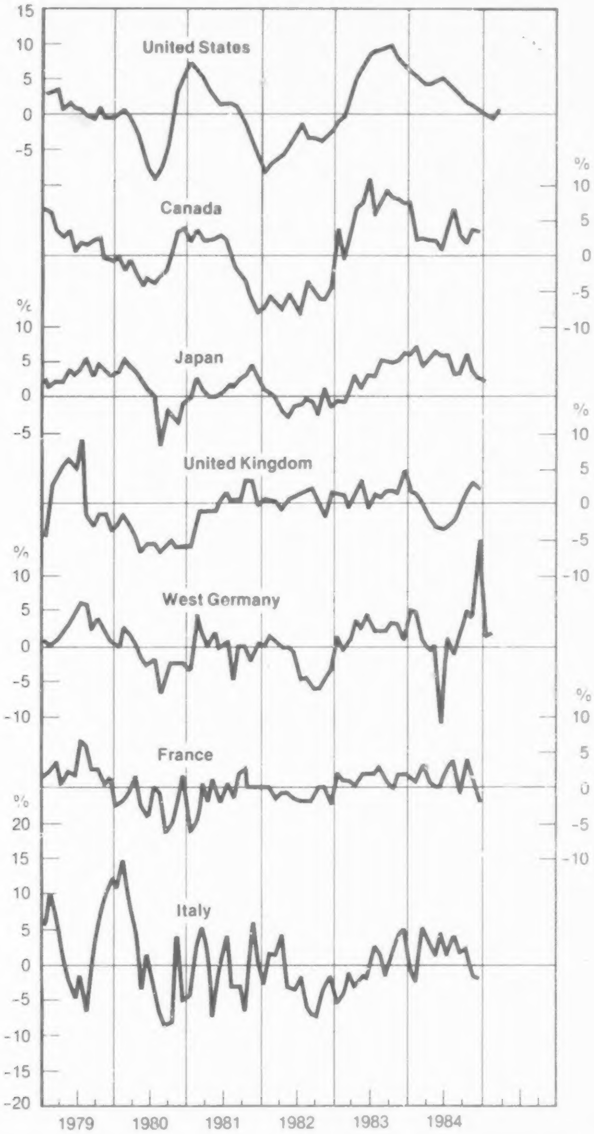
The Conference Board[1]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Mar., 1985		*Mar., 1985*		*Mar., 1985*		*Mar., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3758.7	**7.1%**	**$3758.7**	**7.1%**	**$3758.7**	**7.1%**	**$3758.7**	**7.1%**	**IV**	**1984**	**Actual**
$3819.0	6.6	3834.4	8.3	3828.0	7.6	3839.4	8.9	I	1985	
3883.0	6.9	3901.8	7.2	3881.2	5.7	3894.2	5.8	II		
3949.0	7.0	3978.2	8.1	3934.3	5.6	3959.9	6.9	III		
3988.0	4.0	4032.5	5.6	3991.1	5.9	4028.9	7.2	IV		
4050.0	6.4	4088.3	5.7	4041.9	5.2	4098.7	7.1	I	1986	
4127.0	7.8	4149.6	6.1	4096.2	5.5	4161.6	6.3	II		
4225.0	9.8	4236.9	8.7	4159.4	6.3	4232.3	7.0	III		
4315.0	8.8	4331.5	9.2	4238.0	7.8	4310.4	7.6	IV		
		4434.6	9.9	4326.7	8.6	4399.8	8.6	I	1987	
3909.8	6.7	3936.7	7.5	3908.7	6.7	3930.6	7.3	Annual	1985	
4179.3	6.9	4201.6	6.7	4133.9	5.8	4200.8	6.9	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1662.4	**4.2%**	**$1662.4**	**4.2%**	**$1662.4**	**4.2%**	**$1662.4**	**4.2%**	**IV**	**1984**	**Actual**
$1675.7	3.2	1674.1	2.8	1672.1	2.4	1676.1	3.3	I	1985	
1690.4	3.5	1684.8	2.6	1686.6	3.5	1689.7	3.3	II		
1703.2	3.0	1699.0	3.4	1697.2	2.5	1701.2	2.8	III		
1701.5	-.4	1705.9	1.6	1708.2	2.6	1712.6	2.7	IV		
1711.8	2.4	1710.3	1.0	1715.6	1.7	1723.9	2.7	I	1986	
1725.4	3.2	1717.8	1.8	1723.6	1.9	1733.7	2.3	II		
1744.5	4.5	1734.1	3.8	1734.3	2.5	1745.7	2.8	III		
1761.7	4.0	1751.4	4.1	1748.3	3.3	1760.2	3.4	IV		
		1768.9	4.1	1766.0	4.1	1776.5	3.8	I	1987	
1692.7	3.3	1690.9	3.1	1691.0	3.2	1694.9	3.4	Annual	1985	
1735.9	2.6	1728.4	2.2	1730.5	2.3	1740.9	2.7	Annual	1986	
								Gross National Product deflator index, 1972 = 100		
226.1	**2.8**	**226.1**	**2.8%**	**226.1**	**2.8%**	**226.1**	**2.8%**	**IV**	**1984**	**Actual**
227.9	3.2	229.0	5.3	228.9	5.1	229.1	5.4	I	1985	
229.7	3.2	231.6	4.5	230.1	2.1	230.5	2.5	II		
231.9	3.8	234.1	4.5	231.8	3.0	232.8	4.1	III		
234.4	4.4	236.4	3.9	233.6	3.2	235.3	4.3	IV		
236.6	3.8	239.0	4.6	235.6	3.4	237.8	4.3	I	1986	
239.2	4.5	241.6	4.3	237.7	3.5	240.0	3.9	II		
242.2	5.1	244.3	4.7	239.8	3.7	242.4	4.1	III		
244.9	4.6	247.3	5.0	242.4	4.4	244.9	4.1	IV		
		250.7	5.6	245.0	4.3	247.7	4.6	I	1987	
231.0	3.4	232.8	4.2	231.1	3.5	231.9	3.8	Annual	1985	
240.7	4.2	243.1	4.4	238.9	3.4	241.3	4.0	Annual	1986	
								Unemployment Rate		
	7.2%		**7.2%**		**7.2%**		**7.2%**	**IV**	**1984**	**Actual**
	7.2		7.2		7.3		7.3	I	1985	
	7.3		7.2		7.3		7.3	II		
	7.3		7.2		7.3		7.3	III		
	7.6		7.4		7.4		7.3	IV		
	7.7		7.6		7.5		7.3	I	1986	
	7.7		7.6		7.6		7.3	II		
	7.5		7.5		7.7		7.3	III		
	7.2		7.4		7.7		7.2	IV		
			7.2		7.6		7.1	I	1987	
	7.4		7.3		7.3		7.3	Annual	1985	
	7.5		7.5		7.6		7.3	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

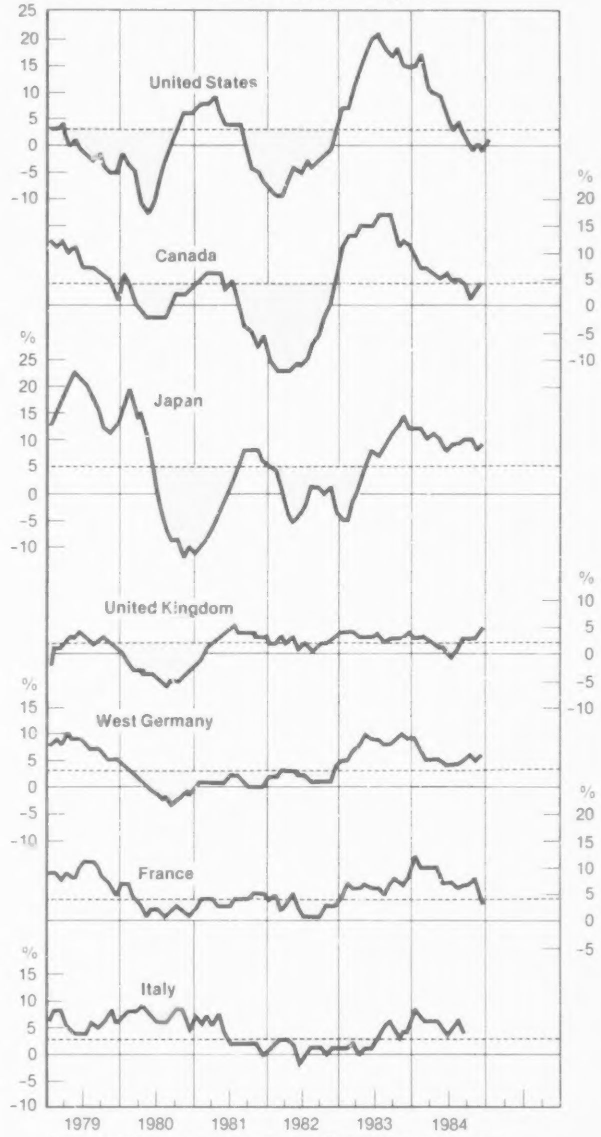
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



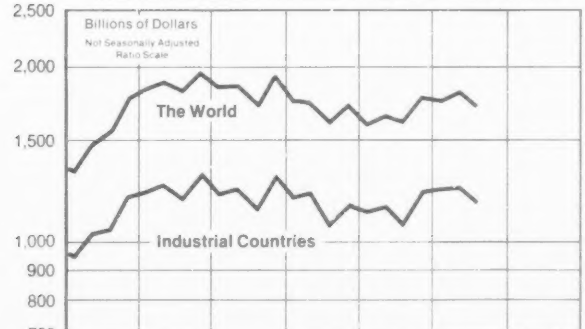
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

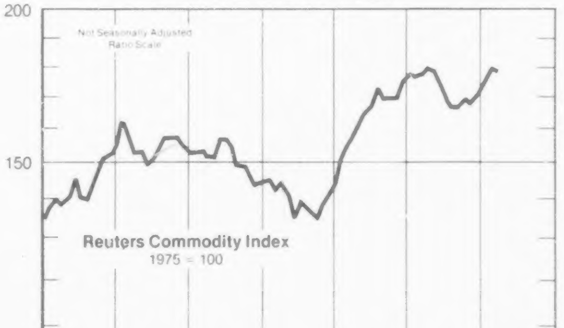


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

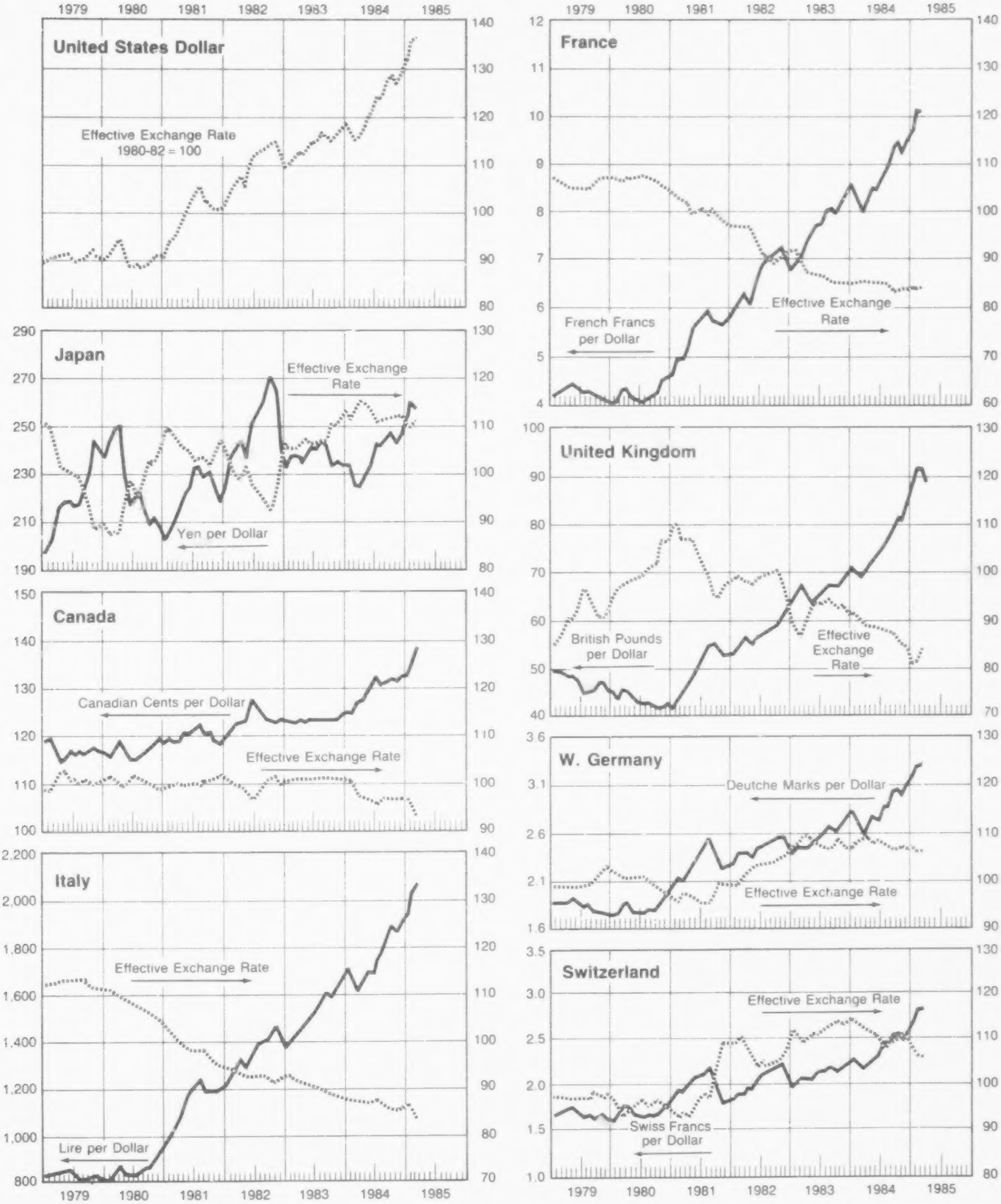


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



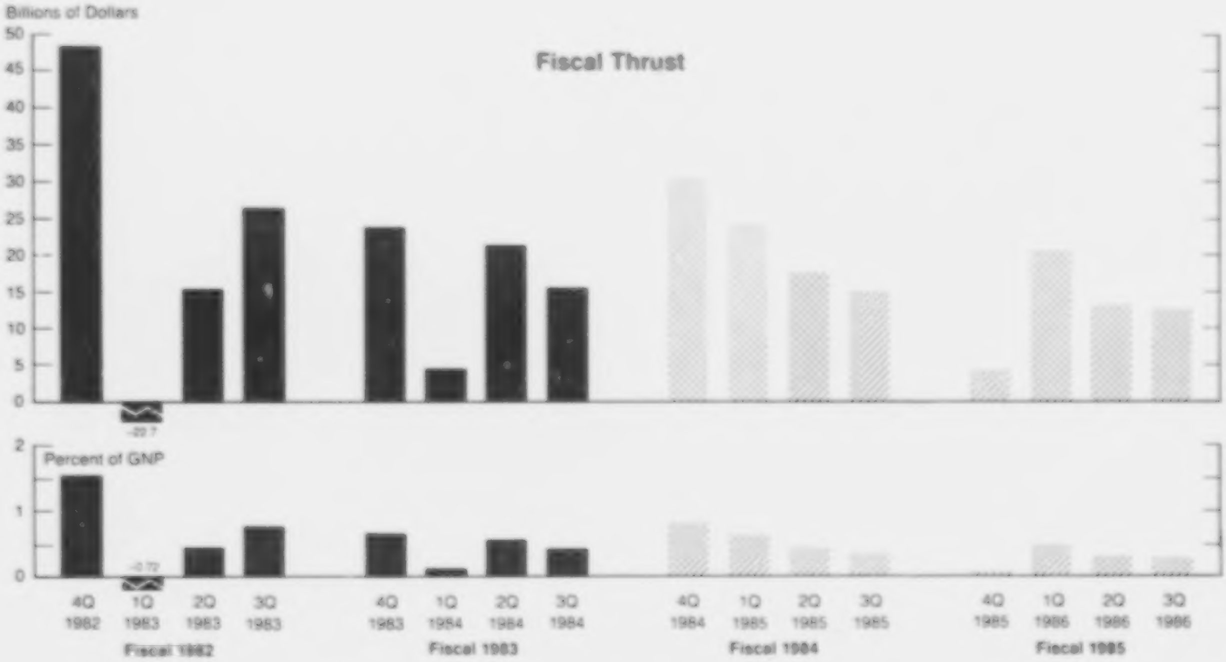
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

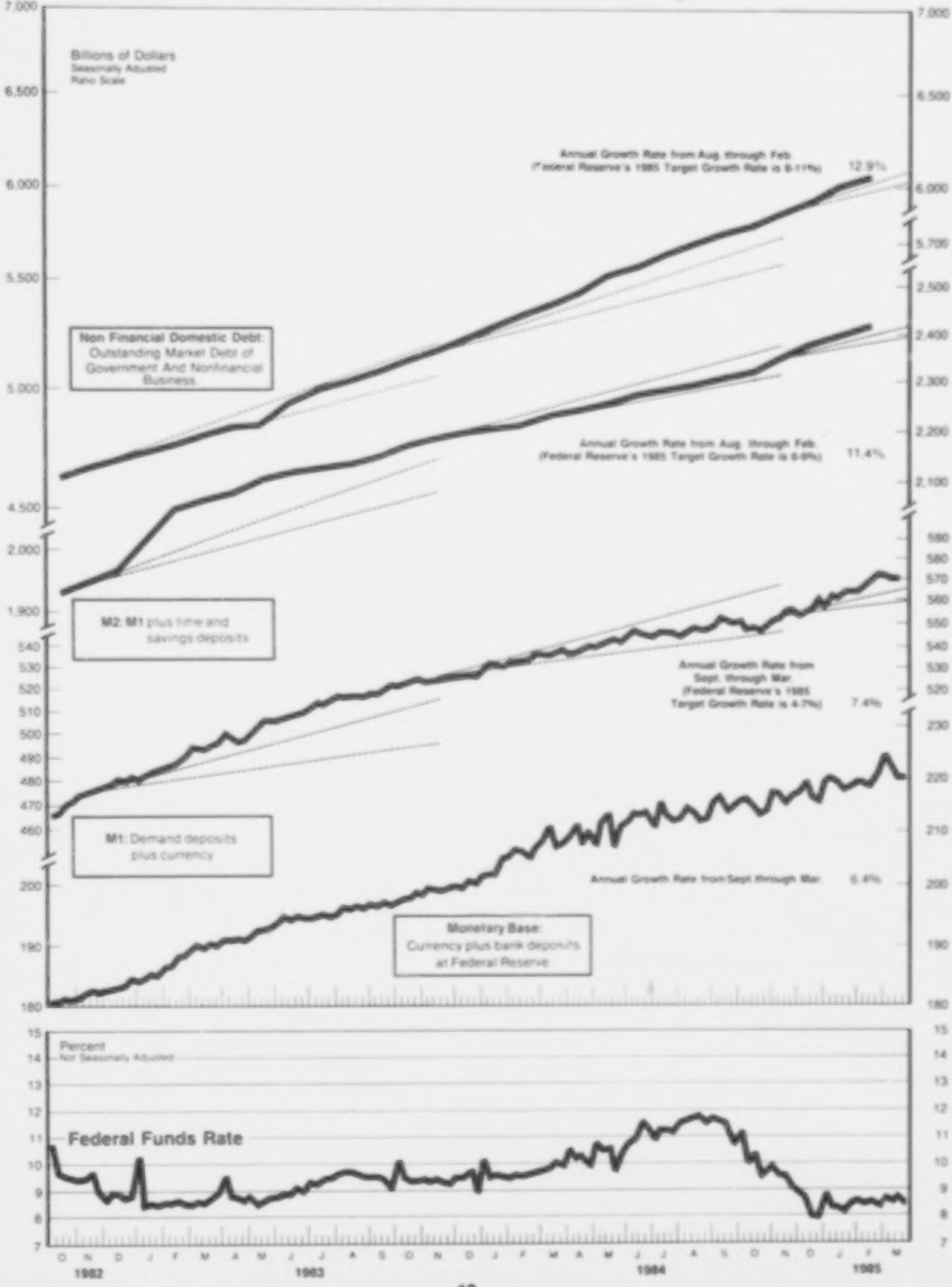
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)
Receipts	736.9	736.9	735.0	794.3	793.7	789.0
Outlays	960.4	959.1	950.0	1,024.5	973.7	975.0
Deficit	-223.5	-222.2	-215.0	-230.2	-180.0	-186.0
Receipts by source	736.9	736.9	735.0	794.3	793.7	789.0
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	66.4	66.4	63.0	74.8	74.1	70.0
Social insurance	268.4	268.4	266.0	289.4	289.4	285.0
Other receipts	72.4	72.4	74.0	70.7	71.3	72.0
Outlays by function	960.4	959.1	950.0	1,024.5	973.7	975.0
National defense	253.2	253.8	252.8	294.6	285.7	284.7
Social security and medicare	257.4	257.4	254.4	273.6	269.4	268.4
Income security	128.3	127.2	127.2	120.8	115.8	115.8
Health	33.9	33.9	33.9	36.7	34.9	34.9
Education and manpower	30.6	30.4	30.4	31.3	29.3	29.3
Veterans' benefits	26.9	26.9	26.9	27.8	26.8	26.8
Transportation	27.0	27.0	26.0	27.9	25.9	25.9
International affairs	19.3	19.6	17.6	19.0	18.3	18.3
National resources and environment	13.0	13.0	13.0	13.2	11.9	11.9
Agriculture	20.2	20.2	21.2	18.1	12.6	11.6
General science	8.7	8.7	8.7	9.3	9.3	9.3
Community development	8.6	8.6	8.6	8.3	7.3	7.3
Justice	6.7	6.7	6.7	6.9	6.6	6.6
General government	5.8	5.8	5.8	5.8	4.8	4.8
Energy	8.7	8.2	6.2	7.9	4.7	4.7
Revenue sharing	6.5	6.6	6.6	6.6	2.8	2.8
Commerce and housing credit	6.0	6.0	6.0	5.3	2.2	2.2
Interest	130.5	130.4	129.4	145.8	142.6	145.6
Allowances	1.1	1.1	1.1	1.7	0.4	0.4
Undistributed offsetting receipts	-32.2	-32.3	-32.3	-36.0	-37.5	-36.5

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust [illegible] The Conference Board, New York, [illegible]

Money Supply and Monetary Growth Targets



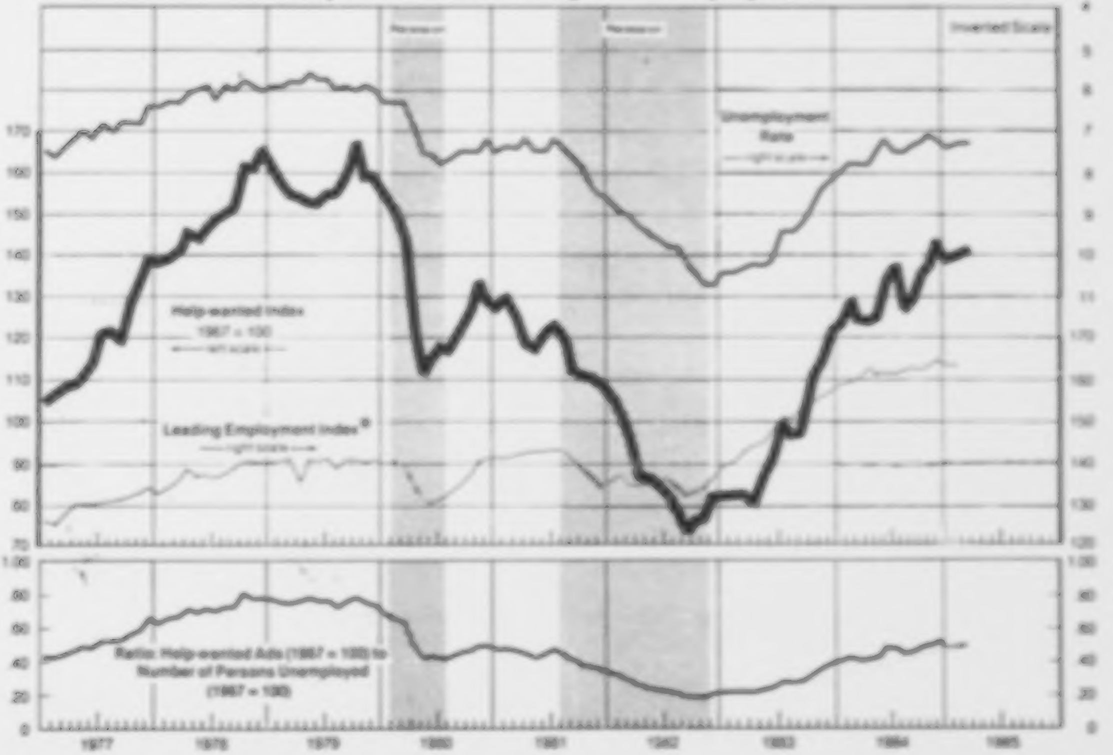
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Feb.	1985 Jan.	1984 Dec.	1984 Feb.
National Index	140	138	145	129
New England	151	153r	154	134
Boston	166	161	168	153
Hartford	151	174r	143	124
Providence	102	109	116	78
Middle Atlantic	65	66	67	58
Albany	142	144	141	124
Allentown	177	202	165	141
New York	53	54	53	50
Philadelphia	58	57	64	52
Pittsburgh	68	66	71	56
Rochester	89	85	82	67
Syracuse	105	99	112	65
East North Central	88	83	94	76
Chicago	100	90	107	82
Cincinnati	127	130	137	93
Cleveland	61	59	65	50
Columbus	136	137	145	102
Dayton	73	69	73	59
Detroit	63	56	62	52
Gary	106	115	105	99
Indianapolis	85	87	113	82
Milwaukee	56	56	63	51
Toledo	112	114	119	96
West North Central	82	83	98	78
Kansas City	123	121	164	100
Minneapolis	81	81	90	73
Omaha	112	124	117	111
St. Louis	51	51r	61	60
South Atlantic	181	165	170	157
Atlanta	300	295	307	265
Baltimore	169	116	112	128
Charlotte	149	151	151	131
Jacksonville	182	191	208	173
Miami	77	79	77	66
Richmond	126	106	105	87
Washington, D.C.	183	168	176	162
East South Central	137	142	143	122
Birmingham	140	149	149	123
Knoxville	194	201	198	164
Louisville	90	85	76	67
Memphis	100	105	107	111
Nashville	200	210	223	161
West South Central	264	279	291	286
Dallas	377	402	423	416
Houston	323	341	356	352
New Orleans	116	117	130	140
Oklahoma City	133	153	159	150
San Antonio	218	210	191	193
Tulsa	147	158	177	139
Mountain	325	311	353	300
Denver	N.A.	N.A.	N.A.	210
Phoenix	470	457	552	428
Salt Lake City	313	347	378	295
Pacific	205	206	206	183
Los Angeles	158	157	153	153
Sacramento	340	341	329	301
San Bernardino	201	228	210	158
San Diego	475	434	404	392
San Francisco	202	212	238	183
Seattle	188	185	185	186
Percentage of papers with rising volume	41	33%	60%	65%
Unemployment rate	7.3%	7.4%	7.2%	7.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

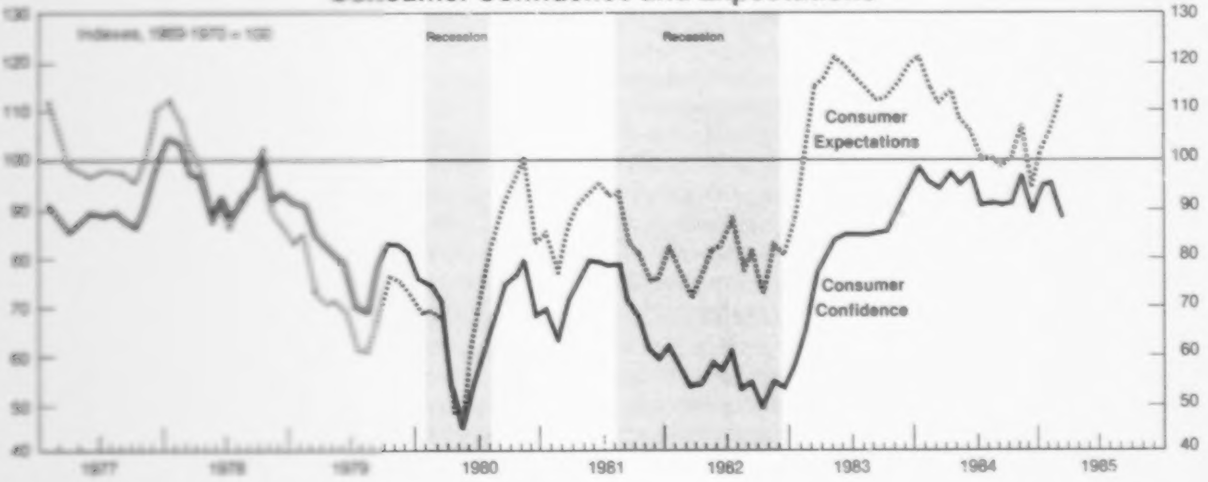
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	65.6	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.6	85.9
1985	95.4	95.8r	88.1p									
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	106.0	103.9	99.4	105.1	121.8r	94.5	100.6	93.3	96.5	102.7	96.2r
1985	102.3	107.1r	113.6p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

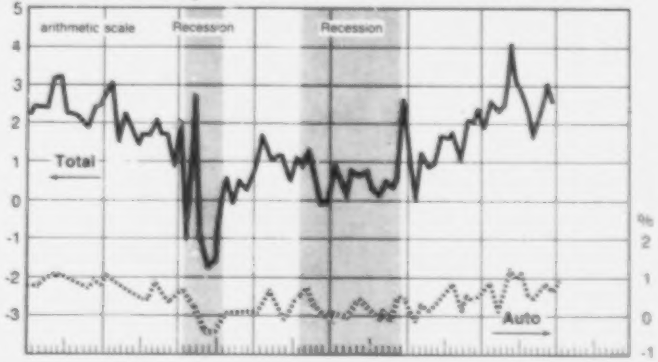
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1750.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.8	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

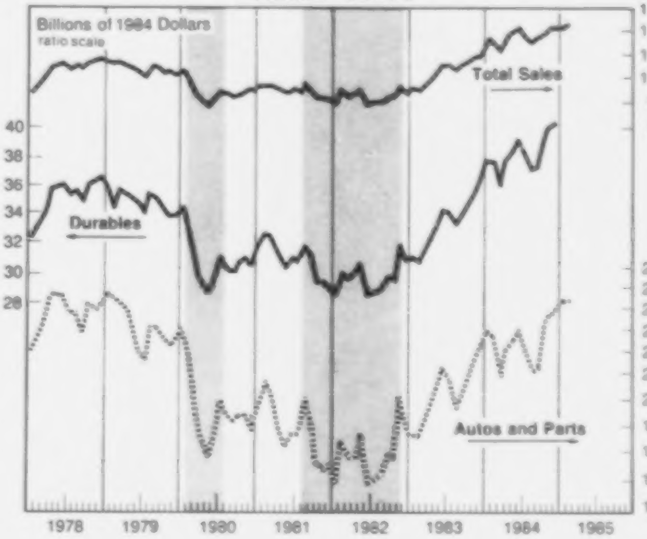
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



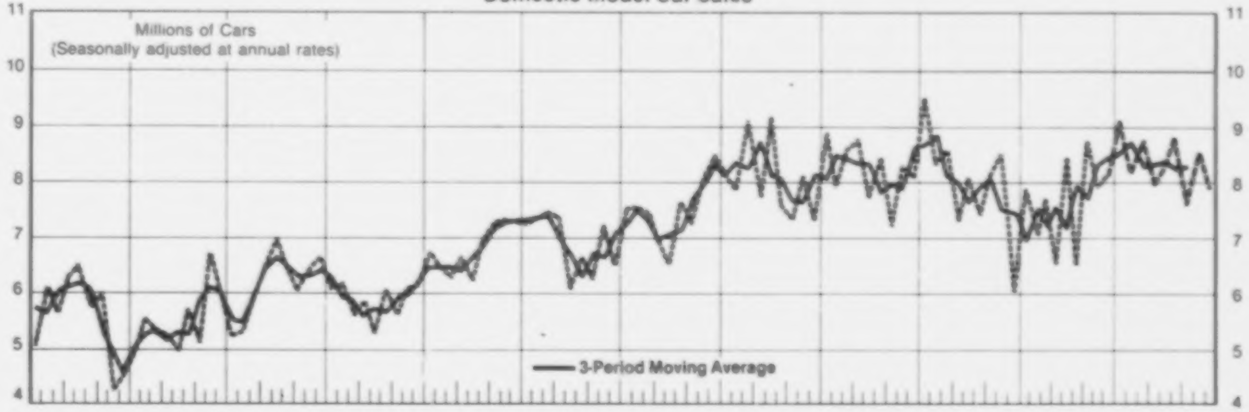
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

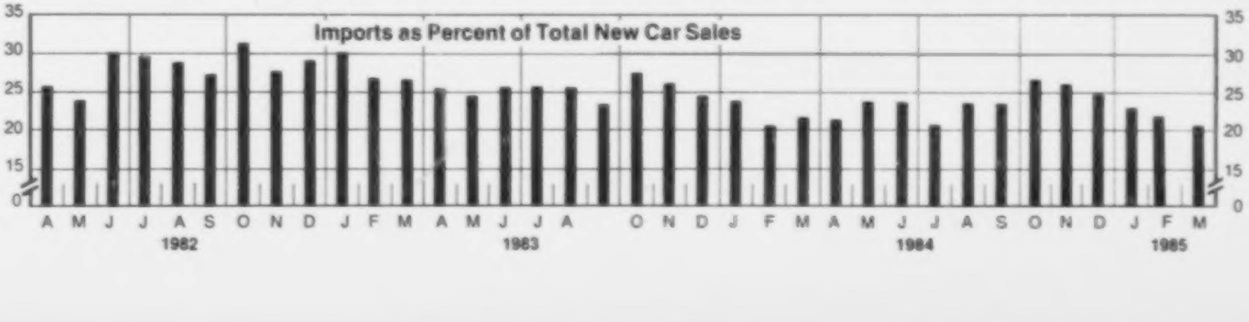
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	
	11-20	6.14	6.52	7.96	
	21-30	5.62	6.35	8.60	
May:	1-10	6.31	6.67	8.75	
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 18, No. 5, May, 1985

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The Conference Board

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Statistical Reference Index
Acquisitions
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COMMENT

- SLUGGISH REAL OUTPUT GROWTH IN FIRST QUARTER, 1985 INFLATION FLAT BUT SO IS UNEMPLOYMENT
- ECONOMIC GROWTH EXPECTED TO BE BETTER IN SECOND QUARTER, BUT NOT ROBUST
- RELIEF FROM HIGH U.S. DOLLAR NOT YET IN SIGHT

GNP rose by a mere 0.7%,seasonally adjusted annual rate in the first quarter, significantly lower than the 3.3% median of the March **Economic Forecasts.** That the pace of activity was slower than anticipated is no cause for alarm. Some parts of the economy, housing for one, are flourishing and none of the usual signs of approaching recession have surfaced. Indeed, the revised **Economic Forecasts** indicate that the pace of activity has probably quickened in the second quarter. A narrow majority of the forecasts suggest that a moderate rise in the economy can be expected for the second half of this year as well. Other forecasts point to a weaker growth pattern. In sum, regardless of the specific path the economy now takes, the expansion has reached maturity.

A 0.7% real growth rate in the first quarter is too slow to allow for much improvement in the labor market. The national unemployment rate was 7.4% in January and 7.3% in each of the succeeding three months. The number of people working in wholesale and retail trade—as well as finance, insurance and real estate—continued to increase by about a 5% annual rate in the first four months of this year. Construction employment, buoyed by stronger home buying, rose at a 15% annual rate in this period. But, continued weak gains in other industries, mining for instance, and declines in durable-goods manufacturing, kept total employment from rising faster than the adult population.

Even those **Economic Forecasts** of a somewhat faster pace of activity for the second half of 1985 suggest that the rise in job openings will be only a little higher than the rise in job seekers. The most optimistic forecast is that the unemployment rate will improve to about 6.9% by December. Other forecasts point to a softening labor market and there is some evidence now to support that view. The Conference Board's **Help-wanted Index,** a measure of labor demand, has shown virtually no movement in the first three months of this year. And early returns to the April survey show a sharp decline in want-ad volume. If labor demand is indeed beginning to fall, then the unemployment rate may not drop below its present level. Indeed, at least one forecast indicates that it could inch back up to 7.7% by year end.

Modest gains in real output and flat unemployment are tempering the consumers' view of the economic outlook. Twice in the last six months, The Conference Board's **Consumer Confidence Index** fell suddenly, only to recover the following month. This series declined from 96.8 in November, to 85.9 (1969-1970 = 100)in December, then rebounded to 95.4 in January. This sequence was repeated in March and April, but with even less rebound. The **Consumer Confidence Index** fell to 87.8 in March, then recovered to only 92.6 in April. Less optimism about the next six months is beginning to affect the consumer's overall view of the economy. A steady diet of news reports about higher unemployment could further erode expectations for jobs and pay raises.

Sluggish increases in the total number of job holders over the last few months constrain increases in household spending power. But that is only part of the story. The high value of the dollar translates into low prices of imported goods. That, in turn, exerts downward pressure on prices of import-competing goods. While all of this helps to stretch the consumer's dollars, it forces producers to keep an especially keen eye on costs—principally labor costs. As a result, incomes for some workers are rising slowly. Total personal income, adjusted for inflation, fell at an annual rate of 0.9% in February and March.

With real personal income falling in the first quarter, consumers turned more cautious with regard to some nonessential spending. Retail sales, adjusted for inflation, fell at a 3.7% annual rate in February and March. The decrease in buying of big-ticket durable goods, especially cars, was even more pronounced. New, domestic **Automobile Sales** averaged 8.69 million, seasonally-adjusted at an annual rate, in January. The selling rate then declined to 8.35 million in February and 8 million in March. All these numbers, while seasonally adjusted, were obviously affected by the erratic pattern of winter weather. The selling rate for domestic cars rose to 8.93 million in April and real, retail sales recovered. This suggests that, absent cold, snowy weather—and aided by falling consumer loan rates—households still have the inclination, and some means, to step up their buying, albeit at a somewhat cautious pace.

Given the degree of market penetration by imports, the level of consumer market activity has been insufficient to

Ken Goldstein, Editor

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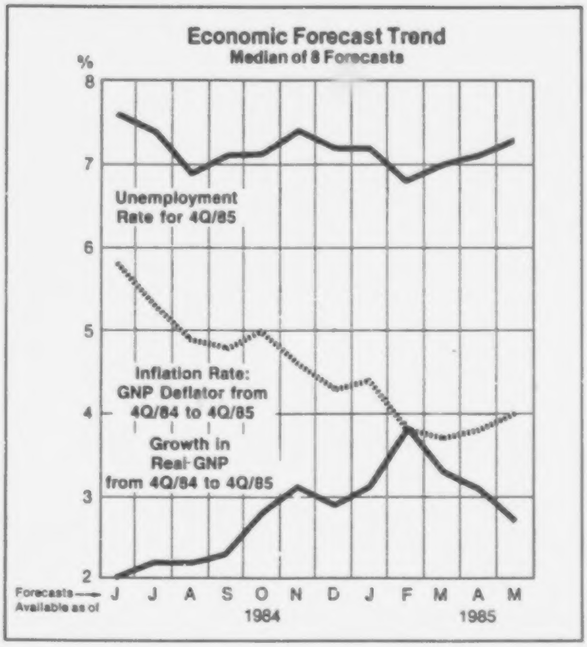


support gains in domestic output. Total industrial production fell, or was flat, in three of the last five months. It was actually 0.7% lower in April, 1985 than it was last August. The drop in production was more pronounced in the subcomponent for consumer goods than for business equipment. Declines in production hold down increases in employment, limiting gains in wages and, hence, cutting the rise in consumer demand—which, in turn, limits the outlet for increased output. In addition, the lack of production gains leads to idled resources. The capacity utilization rate for advanced-processing manufacturers was 81% in March—it was 82% one year ago. With operating rates inching lower, expanding production facilities is of less immediate concern. Manufacturers, consequently, may be starting to scale back their investment plans.

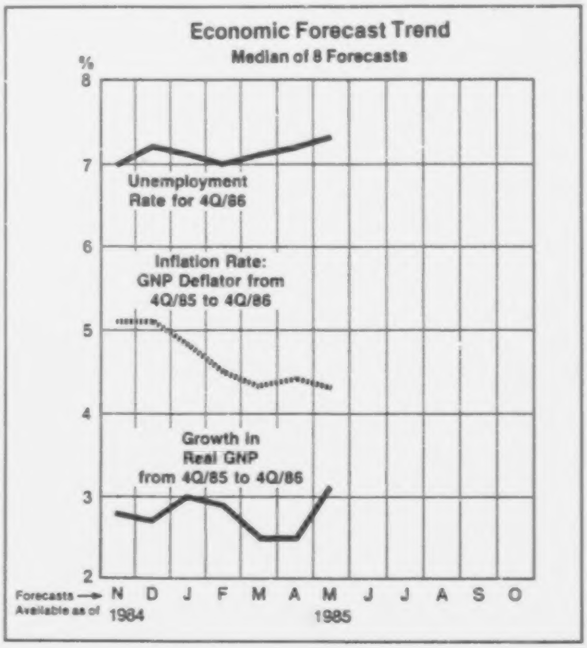
Early returns to The Conference Board's **Capital Appropriations and Expenditures** survey of the nation's 1,000 largest manufacturers show smaller increases in appropriations—approval of new spending plans—in the first quarter than in recent surveys. Given the time lag between approval of investment plans and implementation, any slowing in capital appropriations now will not affect business spending for several quarters. Conversely, strong gains in appropriations last year will keep business spending fairly strong this year.

Rising federal, state and local government spending is anticipated for the rest of this year. Add some gain, however limited, in consumer demand, plus strong business investment, and the current expansion—now approaching the average life-span of post-war expansions—can continue, albeit at a moderate pace.

The slower pace of the first quarter helped keep the decline in interest rates going. The Federal Funds rate—the rate at which banks borrow from other banks—fell from about 11½% last August, to about 8½% in April and below 8% in early May. Interest rate declines helped car sales and gave a lift to home buying. It also paved the way for some modest fall in the dollar. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 136.9 (1980-1982 = 100) in March, or 36.9% higher than its base-period value. It fell to only 31.7% of its base value in April.

April estimates of real GNP growth for the second quarter are a little lower than those of last month. Nevertheless, the **Economic Forecasts** point to a moderate pickup of activity through mid-year. The median of the forecasts indicates that real output is expanding by about 3.4% in the second quarter of 1985, and that that pace will be maintained in the third quarter. More pessimistic forecasts, however, suggest that the economy may be growing at only a 2.2% rate in the second quarter and that it will fall to zero by the fourth quarter.

Ken Goldstein
May 14, 1985

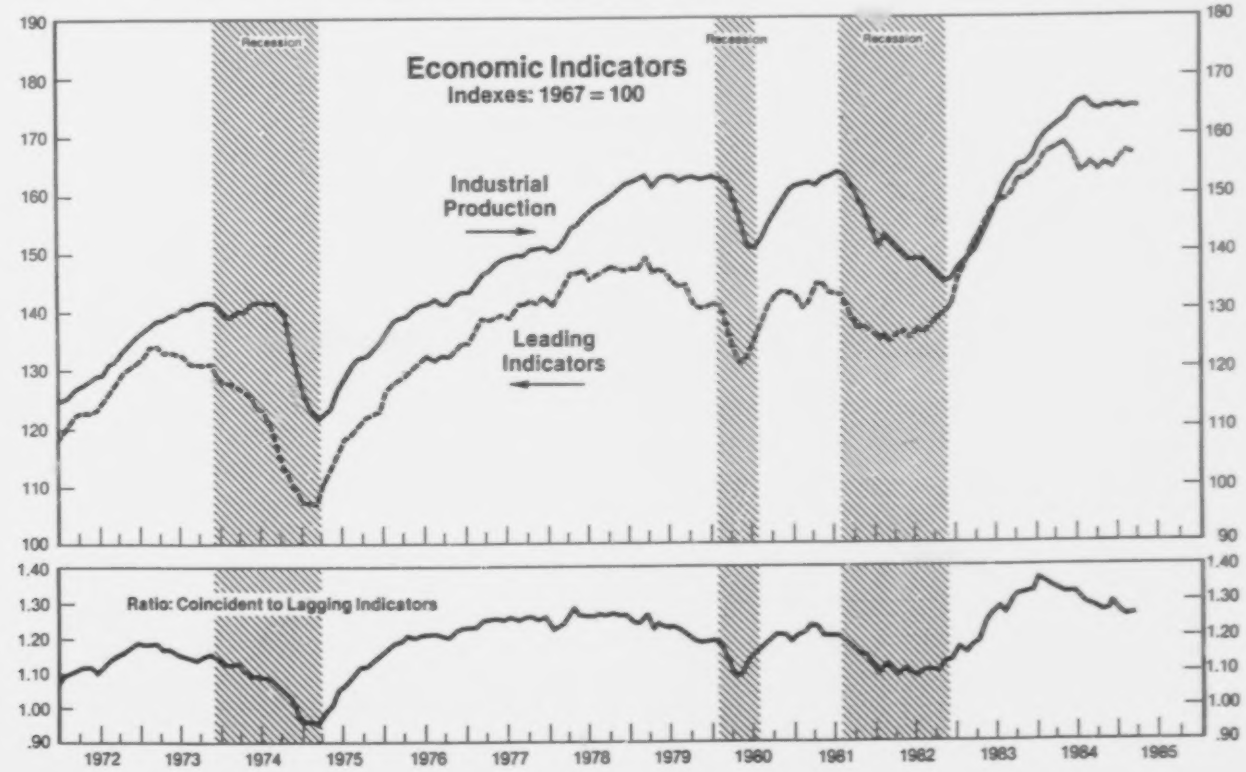


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			+ 1.6%	- 0.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.		X		+ 13.8%	+ 1.3%
New orders, nondefense capital goods (deflated)	Mar.		X		+ 14.7%	+ 0.7%
*New business formation	Mar.		X		- 0.8%	- 1.0%
*Housing permits	Mar.	X			+ 16.5%	+ 1.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		- 1.3%	- 1.3%
*Change in inventory, on hand & order (deflated)	Feb.		X		- 4.7%	- 18.0%
Purchasing agents' buying policy	Apr.			X	- 3.0%	- 11.0%
*Vendor performance, reported slower deliveries	Mar.		X		+ 1.0%	- 26.0%
Industrial raw materials prices	Apr.		X		+ 0.7%	- 11.1%
*Change in sensitive material prices	Mar.			X	- 0.7%	- 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.	X			+ 1.4%	+ 5.1%
Change in business loans	Mar.		X		+ 29.2%	- 73.3%
*Change in credit outstanding	Feb.		X		- 1.5%	- 4.5%
Change in consumer installment debt	Feb.	X			+ 51.5%	+ 50.2%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	- 1.1%	- 2.1%
*Common stock prices	Apr.	X			+ 5.3%	+ 14.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.			X	- 0.3hr	- 0.8hr
*Initial unemployment claims (inverted)	Apr.		X		- 5.8%	- 11.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1984		1985		
DIFFUSION INDEXES	Mar.	Dec.	Jan.	Feb.	Mar.(e)
Principal Diffusion Index	67.8	54.3	54.7r	54.8r	54.3
Auxiliary Diffusion Index	34.7	55.7r	51.6r	50.1r	48.3
Industrial Group	69.5	51.1r	48.8r	48.7r	50.4
Nonindustrial Group	66.2	57.4r	60.6r	60.9r	58.1
Sense of Diffusion	1.0	1.0	0	0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.3	47.4r	49.6r	51.7r	51.3
Labor	67.3	58.3	52.6	50.6	54.0
Miscellaneous	87.2	38.5r	38.5r	39.1r	40.4
Nonindustrial Subgroups					
Prices	63.5	38.5	39.1	40.4	33.3
Consumer	77.4	77.8	81.6	85.0r	78.2
Building	64.7	67.9	65.4	63.5	69.2
Miscellaneous	57.7	42.7r	50.9r	48.7r	47.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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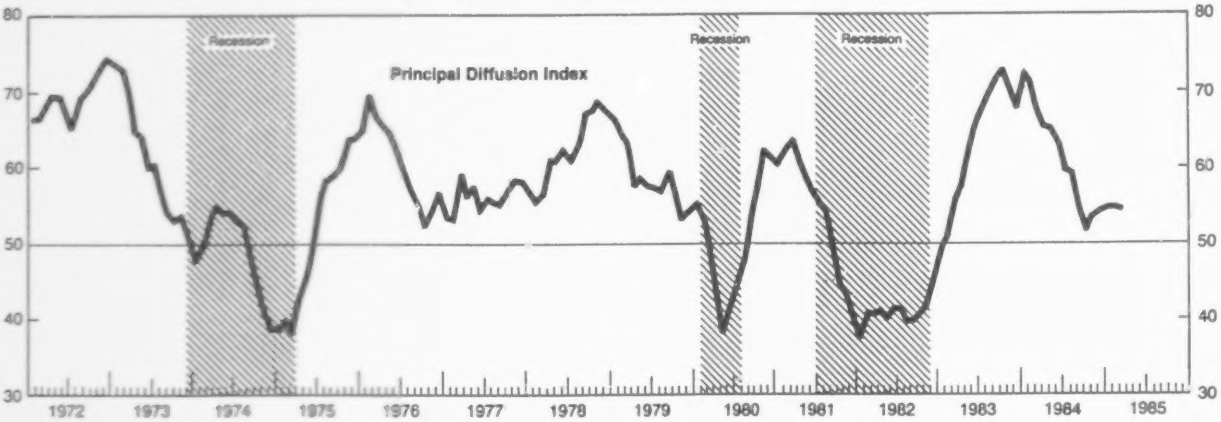
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982		*1983*				*1984*				*1985*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	55	60	70	76	75	74	70	65	61	57	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	38	44	65	76	82	80	76	75	70	57	62
2. Expectations for Economy, Six Months Ahead	65	70	76	78	74	73	67	60	57	57	61
3. Expectations for Own Industry, Six Months Ahead	61	65	70	72	69	70	67	61	57	58	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983			1984				Percent Change From Previous Year		
	IIr	IIIr	IVr	Ir	IIr	IIIr	IVp	1983 Actual	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.874	22.875	24.262	26.816	37.154	27.592	28.984	1	32	7
Capital expenditures	18.664	18.244	19.560	19.905	21.808	22.924	24.956	-23	19	34
Change in appropriations backlog*	+0.982	+1.988	+0.928	+5.152	+13.867	+3.386	+1.341			
Durable Goods										
New appropriations	9.293	9.119	11.024	13.662	21.216	12.617	14.794	17	58	-17
Capital expenditures	7.717	7.667	8.727	8.714	10.033	11.031	12.469	-19	33	25
Change in appropriations backlog*	+0.887	+1.466	+0.819	+4.057	+10.843	+1.303	+0.890			
Nondurable Goods										
New appropriations	11.581	13.666	13.238	13.154	15.938	14.975	14.190	-9	12	33
Capital expenditures	10.947	10.577	10.833	11.191	11.775	11.893	12.487	-26	9	42
Change in appropriations backlog*	+0.095	+0.522	+0.109	+1.095	+3.024	+2.083	+0.451			
ELECTRIC & GAS UTILITIES										
New appropriations	6.831	5.752	6.561	5.090	7.843	9.675	11.383	-30	26	
Capital expenditures	8.960	8.922	8.676	8.737	8.859	9.019	9.190	-2	1	
Change in appropriations backlog*	-6.601	-4.321	-4.415	-6.109	-2.971	-1.526	-3.086			

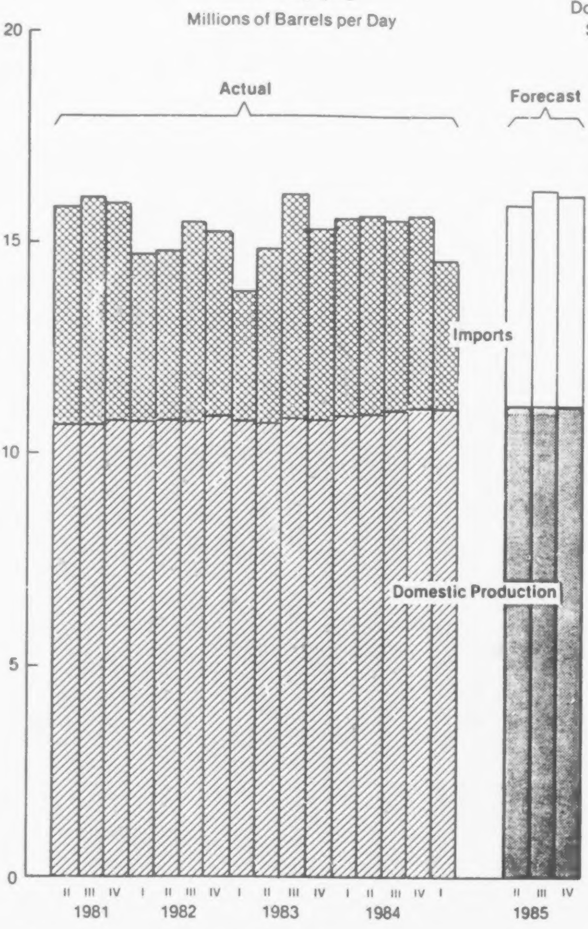
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

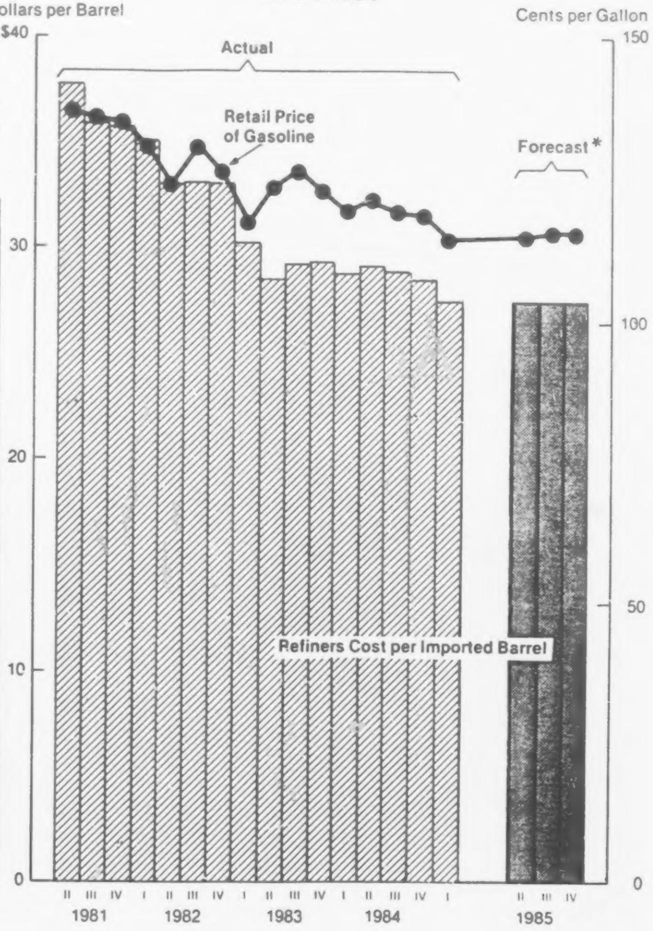
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



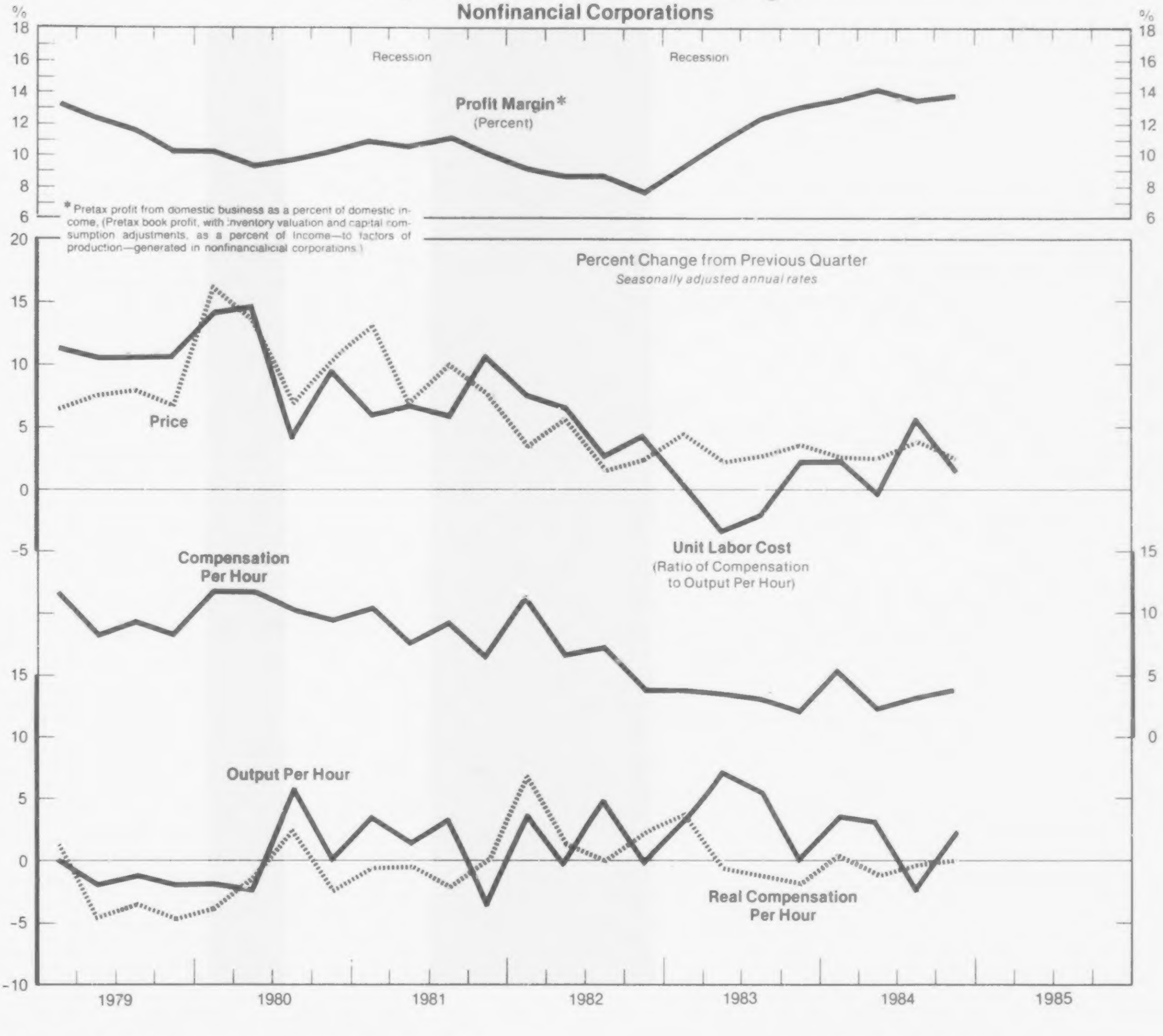
Oil Price



*Source: of Forecast is The Energy Information Administration: Department of Energy.

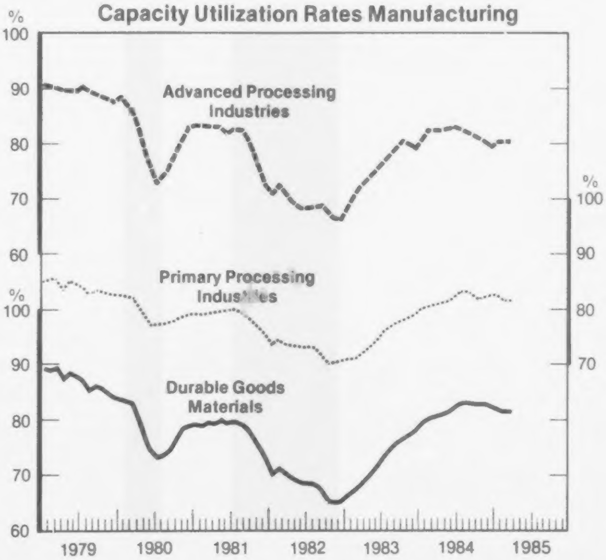
Key Determinants of Profit Margin

Nonfinancial Corporations

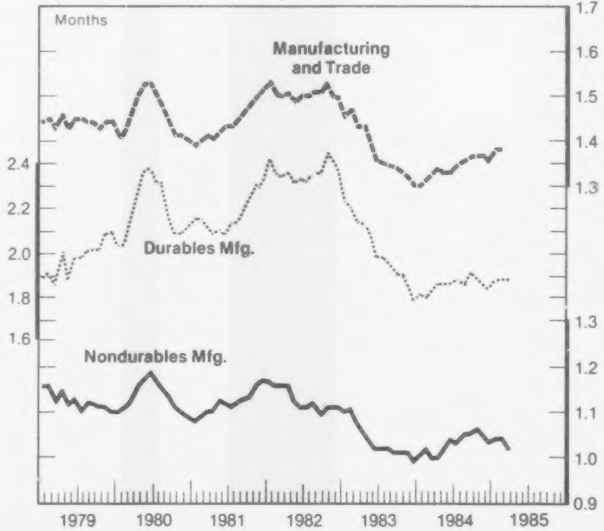


* Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialcial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting[1] Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Apr., 1985*		*Apr., 1985*		*Apr., 1985*		*Apr., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**I**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**
		II	3897.3	8.4	3893.1	7.9	3852.1	3.4	3901.4	8.8
		III	3953.7	5.9	3964.4	7.5	3922.7	7.5	3976.6	7.9
		IV	4016.1	6.5	4026.7	6.4	4000.1	8.1	4044.0	7.0
	1986	I	4072.8	5.8	4093.4	6.8	4067.8	6.9	4102.4	5.9
		II	4133.3	6.1	4169.9	7.7	4146.7	8.0	4185.1	8.3
		III	4200.9	6.7	4256.9	8.6	4199.7	5.2	4257.6	7.1
		IV	4282.9	8.0	4350.0	9.0	4255.4	5.4	4292.4	3.3
	1987	I	4373.5	8.7			4300.1	4.3	4352.4	5.7
		II	4467.6	8.9			4315.2	1.4		
	1985	Annual	3921.8	7.1	3926.0	7.2	3898.7	6.4	3935.5	7.4
	1986	Annual	4172.5	6.4	4217.6	7.4	4167.4	6.9	4209.4	7.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**I**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**
		II	1689.0	5.1	1682.6	3.5	1677.0	2.2	1686.3	4.5
		III	1702.6	3.3	1695.1	3.0	1693.0	3.9	1702.4	3.9
		IV	1715.2	3.0	1705.1	2.4	1708.0	3.6	1712.6	2.4
	1986	I	1725.3	2.4	1714.3	2.2	1720.0	2.8	1719.0	1.5
		II	1737.0	2.7	1727.5	3.1	1735.0	3.5	1736.2	4.1
		III	1751.7	3.4	1742.2	3.4	1739.0	.9	1745.6	2.2
		IV	1770.1	4.3	1759.1	3.9	1744.0	1.2	1738.4	−1.6
	1987	I	1792.3	5.1			1748.0	.9	1738.5	
		II	1815.9	5.4			1736.5	−2.6		
	1985	Annual	1693.7	3.3	1687.7	3.0	1686.5	2.9	1692.3	3.2
	1986	Annual	1746.0	3.1	1735.8	2.8	1734.5	2.8	1734.8	2.5
Gross National Product deflator Index, 1972 = 100										
Actual	**1985**	**I**	**229.0**	**5.2%**	**229.0**	**5.2%**	**229.0**	**5.2%**	**229.0**	**5.2%**
		II	230.7	3.1	231.4	4.2	229.7	1.2	231.4	4.2
		III	232.2	2.6	233.9	4.4	231.7	3.5	233.6	3.9
		IV	234.1	3.4	236.2	4.0	234.2	4.4	236.1	4.4
	1986	I	236.1	3.3	238.8	4.5	236.5	4.0	238.7	4.3
		II	238.0	3.2	241.4	4.4	239.0	4.3	241.0	4.1
		III	239.8	3.2	244.3	5.0	241.5	4.2	243.9	4.8
		IV	242.0	3.6	247.3	4.9	244.0	4.2	246.9	5.0
	1987	I	244.0	3.4			246.0	3.3	250.4	5.7
		II	246.0	3.3			248.5	4.1		
	1985	Annual	231.5	3.6	232.6	4.1	231.2	3.5	232.5	4.1
	1986	Annual	238.9	3.2	242.9	4.4	240.3	3.9	242.6	4.3
Unemployment Rate										
Actual	**1985**	**I**		**7.3%**		**7.3%**		**7.3%**		**7.3%**
		II		7.3		7.2		7.2		7.2
		III		7.2		7.1		7.1		7.1
		IV		7.3		7.0		6.9		6.9
	1986	I		7.3		7.0		6.8		6.9
		II		7.4		7.0		6.7		6.9
		III		7.4		7.1		6.7		7.0
		IV		7.3		7.1		6.9		7.1
	1987	I		7.1				7.2		7.2
		II		6.9				7.5		
	1985	Annual		7.3		7.2		7.1		7.1
	1986	Annual		7.3		7.1		6.8		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary first quarter data.

Revised GNP statistics for the first quarter were released too late (May 21st) to be included in these tables. The *Comment* however, does reflect the revised data.

ECONOMIC FORECASTS (continued)

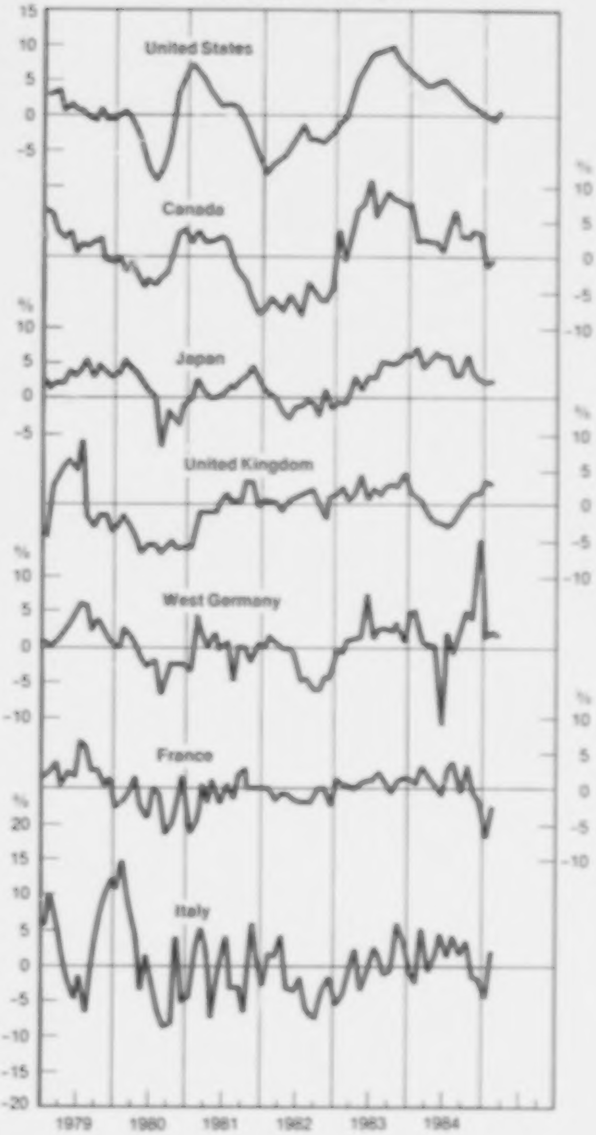
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. inc.[1]				
Apr., 1985		Apr., 1985		Apr., 1985		Apr., 1985		Date of Forecast		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3819.9	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	**$3819.9**	**6.7%**	I	**1985**	**Actual**
3883.0	6.9	3891.5	7.7	3877.5	6.2	3886.5	7.2	II		
3949.0	7.0	3966.0	7.9	3928.5	5.4	3949.7	6.7	III		
3988.0	4.0	4020.3	5.6	3984.6	5.8	4019.4	7.2	IV		
4050.0	6.4	4074.4	5.5	4039.1	5.6	4091.8	7.4	I	1986	
4127.0	7.8	4134.3	6.0	4096.1	5.8	4159.0	6.7	II		
4225.0	9.8	4224.7	9.0	4162.1	6.6	4232.3	7.2	III		
4315.0	8.8	4318.9	9.2	4244.1	8.1	4313.3	7.9	IV		
		4418.9	9.6	4335.1	8.9	4409.7	9.2	I	1987	
		4510.4	8.5	4430.6	9.1	4503.1	8.7	II		
3910.0	6.7	3924.4	7.1	3902.6	6.5	3918.9	7.0	Annual	1985	
4179.3	6.9	4188.1	6.7	4135.4	6.0	4199.1	7.2	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1668.0	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	**$1668.0**	**1.3%**	I	**1985**	**Actual**
1683.2	3.7	1680.8	3.1	1681.1	3.2	1680.9	3.1	II		
1697.7	3.5	1694.8	3.4	1692.5	2.7	1693.2	3.0	III		
1697.7	0.0	1702.1	1.7	1702.2	2.3	1707.3	3.4	IV		
1706.1	2.0	1707.0	1.2	1710.2	1.9	1719.9	3.0	I	1986	
1719.6	3.2	1715.2	1.9	1718.6	2.0	1730.8	2.6	II		
1738.8	4.5	1733.9	4.4	1729.8	2.6	1744.1	3.1	III		
1756.1	4.0	1752.8	4.4	1744.4	3.4	1760.1	3.7	IV		
		1770.4	4.1	1762.6	4.2	1777.8	4.1	I	1987	
		1786.3	3.6	1782.2	4.5	1794.9	3.9	II		
1686.9	2.9	1686.4	2.9	1686.0	2.8	1687.4	2.9	Annual	1985	
1730.2	2.6	1727.2	2.4	1725.8	2.4	1738.7	3.0	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
229.0	**5.2**	**229.0**	**5.2%**	**229.0**	**5.2%**	**229.0**	**5.2%**	I	**1985**	**Actual**
230.7	3.0	231.5	4.5	230.7	2.9	231.2	3.9	II		
232.6	3.4	234.0	4.4	232.1	2.6	233.3	3.6	III		
234.9	4.0	236.2	3.8	234.1	3.4	235.4	3.7	IV		
237.4	4.3	238.7	4.3	236.2	3.6	237.9	4.3	I	1986	
240.0	4.5	241.0	4.0	238.3	3.7	240.3	4.1	II		
243.0	5.1	243.7	4.4	240.6	3.9	242.7	4.0	III		
245.7	4.6	246.4	4.6	243.3	4.5	245.1	4.0	IV		
		249.6	5.3	245.9	4.4	248.0	5.0	I	1987	
		252.5	4.7	248.6	4.4	250.9	4.7	II		
231.8	3.8	232.7	4.2	231.5	3.6	232.2	3.9	Annual	1985	
241.5	4.2	242.4	4.2	239.6	3.5	241.5	4.0	Annual	1986	
								Unemployment Rate		
	7.3%		**7.3%**		**7.3%**		**7.3%**	I	**1985**	**Actual**
	7.4		7.1		7.4		7.4	II		
	7.4		7.1		7.4		7.5	III		
	7.7		7.3		7.5		7.5	IV		
	7.8		7.5		7.6		7.5	I	1986	
	7.9		7.6		7.7		7.5	II		
	7.7		7.6		7.8		7.4	III		
	7.5		7.5		7.9		7.3	IV		
			7.3		7.8		7.2	I	1987	
			7.1		7.6		7.0	II		
	7.5		7.2		7.4		7.4	Annual	1985	
	7.7		7.6		7.8		7.4	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

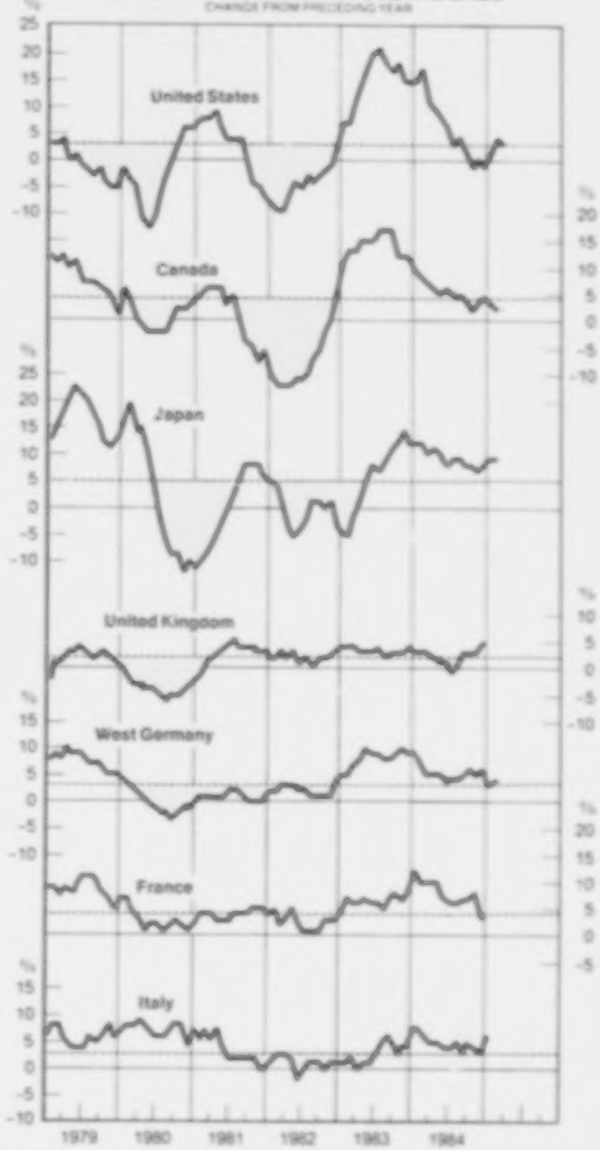
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



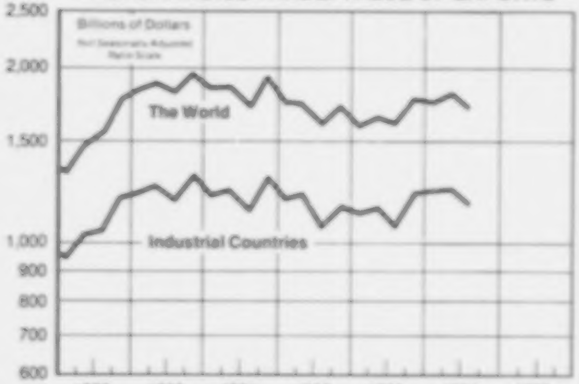
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

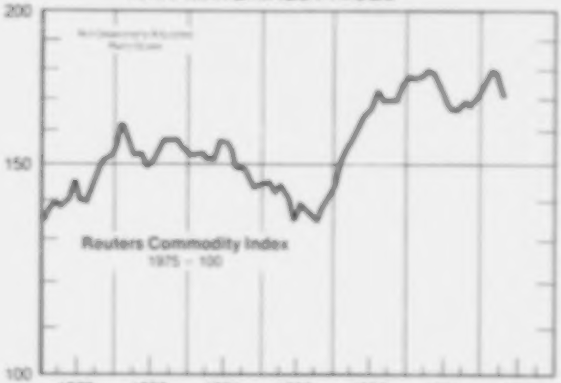


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

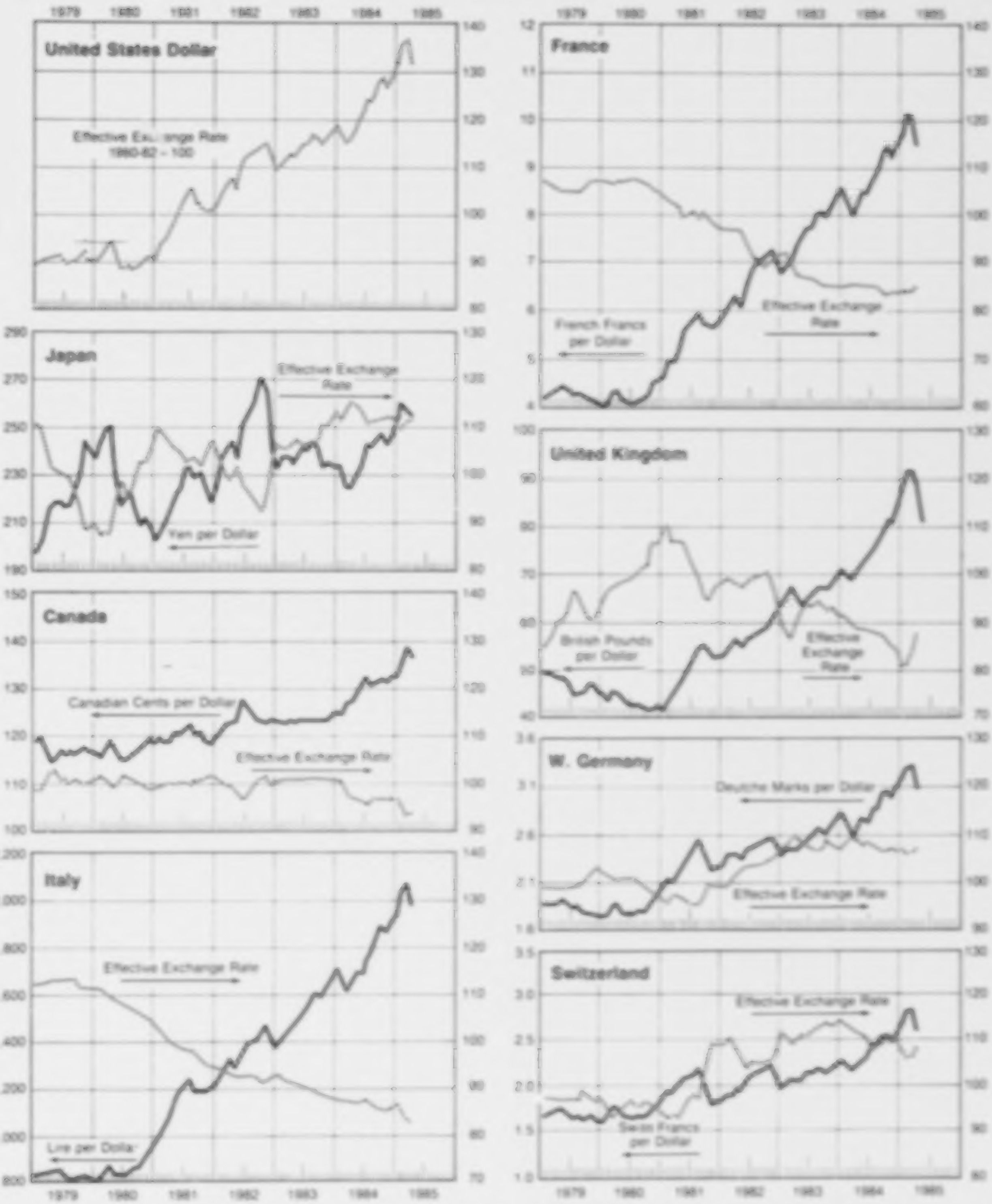


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



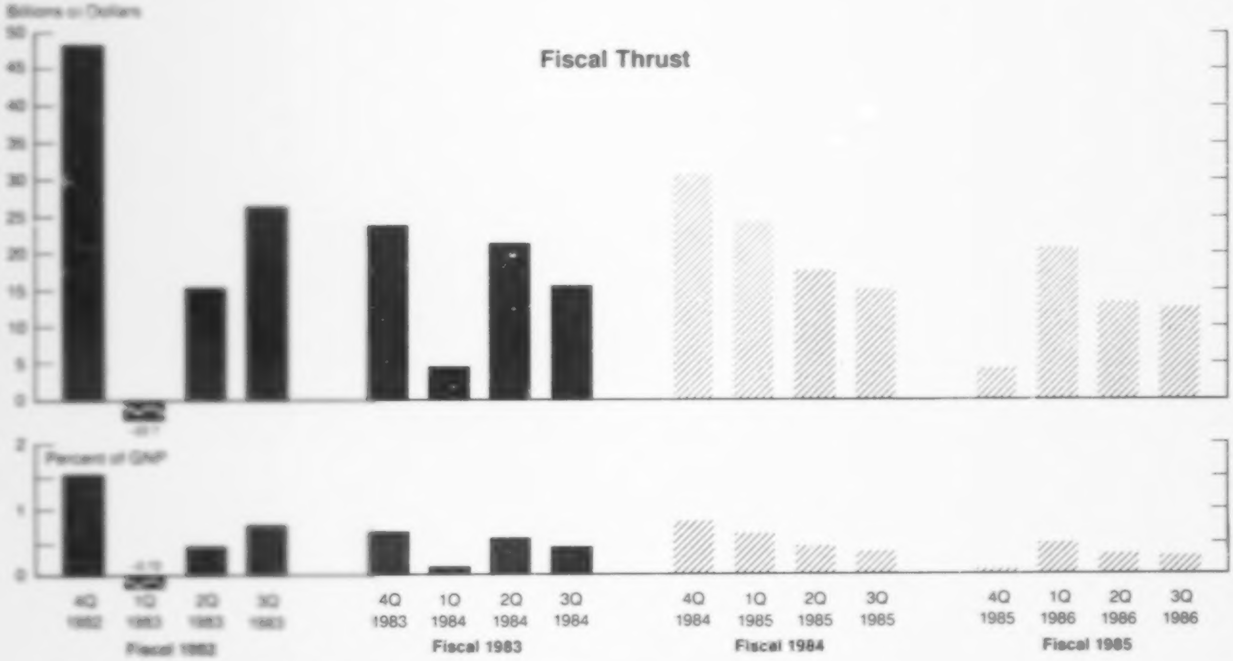
Note: Nominal Effective Exchange Rates, index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

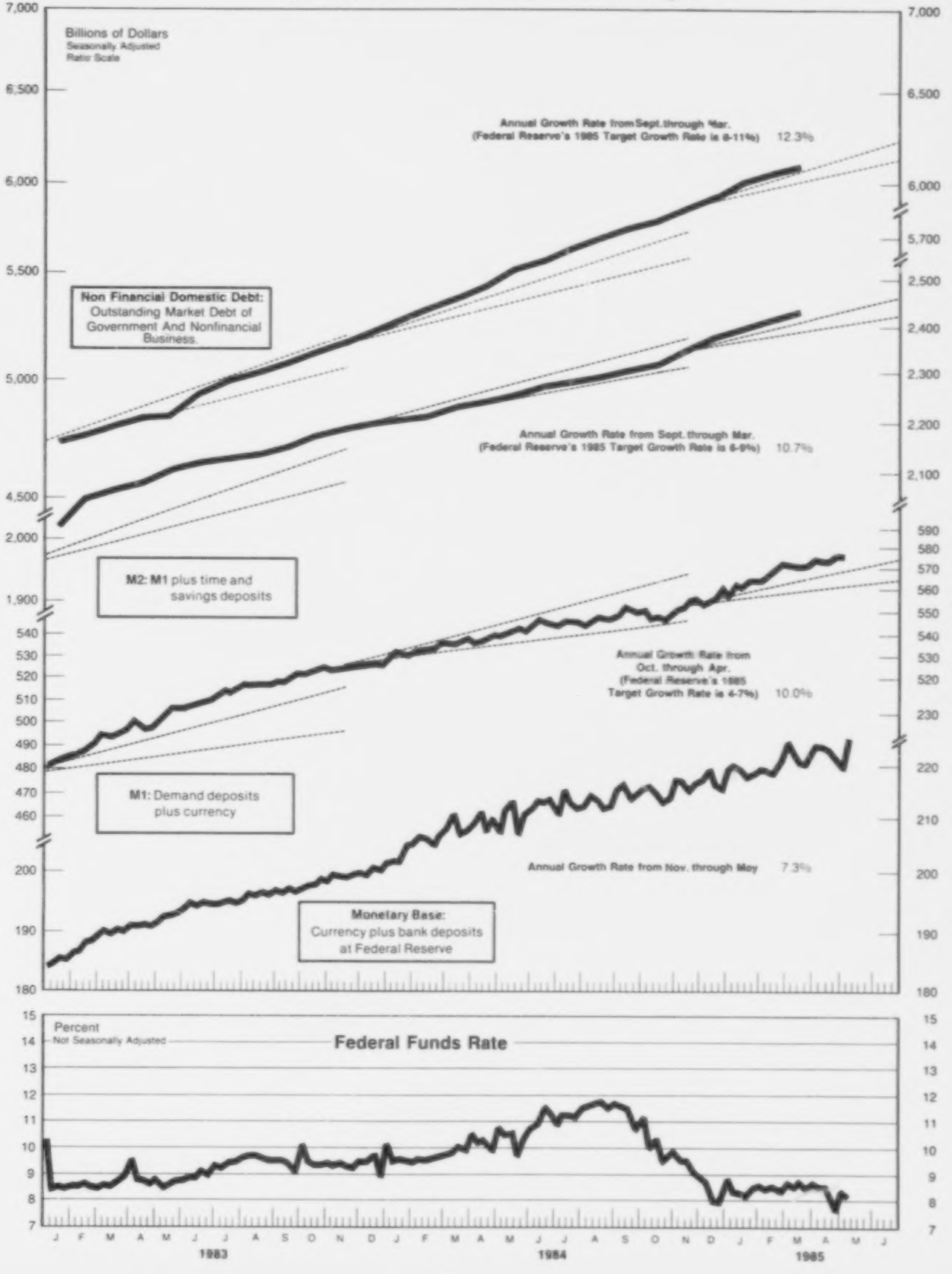
	Fiscal 1985			Fiscal 1986		
	Current Services (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)	Current Service (2/4/85)	President's Proposal (2/4/85)	Congressional Estimate (2/27/85)
Receipts	**736.9**	**736.9**	**735.0**	**794.3**	**793.7**	**789.0**
Outlays	**960.4**	**959.1**	**950.0**	**1,024.5**	**973.7**	**975.0**
Deficit	**-223.6**	**-222.2**	**-215.0**	**-230.3**	**-180.0**	**-186.0**
Receipts by source	**736.9**	**736.9**	**735.0**	**794.3**	**793.7**	**789.0**
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	66.4	66.4	63.0	74.8	74.1	70.0
Social insurance	268.4	268.4	266.0	289.4	289.4	285.0
Other receipts	72.4	72.4	74.0	70.7	71.3	72.0
Outlays by function	**960.4**	**959.1**	**950.0**	**1,024.5**	**973.7**	**975.0**
National defense	253.2	253.8	252.8	294.6	285.7	284.7
Social security and medicare	257.4	257.4	254.4	273.6	269.4	268.4
Income security	128.3	127.2	127.2	120.8	115.8	115.8
Health	33.9	33.9	33.9	36.7	34.9	34.9
Education and manpower	30.6	30.4	30.4	31.3	29.3	29.3
Veterans' benefits	26.9	26.9	26.9	27.8	26.8	26.8
Transportation	27.0	27.0	26.0	27.9	25.9	25.9
International affairs	19.3	19.6	17.6	19.0	18.3	18.3
National resources and environment	13.0	13.0	13.0	13.2	11.9	11.9
Agriculture	20.2	20.2	21.2	18.1	12.6	11.6
General science	8.7	8.7	8.7	9.3	9.3	9.3
Community development	8.6	8.6	8.6	8.3	7.3	7.3
Justice	6.7	6.7	6.7	6.9	6.6	6.6
General government	5.8	5.8	5.8	5.8	4.8	4.8
Energy	8.7	8.2	6.2	7.9	4.7	4.7
Revenue sharing	6.5	6.6	6.6	6.6	2.8	2.8
Commerce and housing credit	6.0	6.0	6.0	5.3	2.2	2.2
Interest	130.5	130.4	129.4	145.8	142.6	145.6
Allowances	1.1	1.1	1.1	1.7	0.4	0.4
Undistributed offsetting receipts	-32.2	-32.3	-32.3	-36.0	-37.5	-36.5

Sources: Office of Management and Budget, Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget [illegible] associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, The Federal Budget: Its Impact on the Economy [illegible] The Conference Board, New York, [illegible]

Money Supply and Monetary Growth Targets



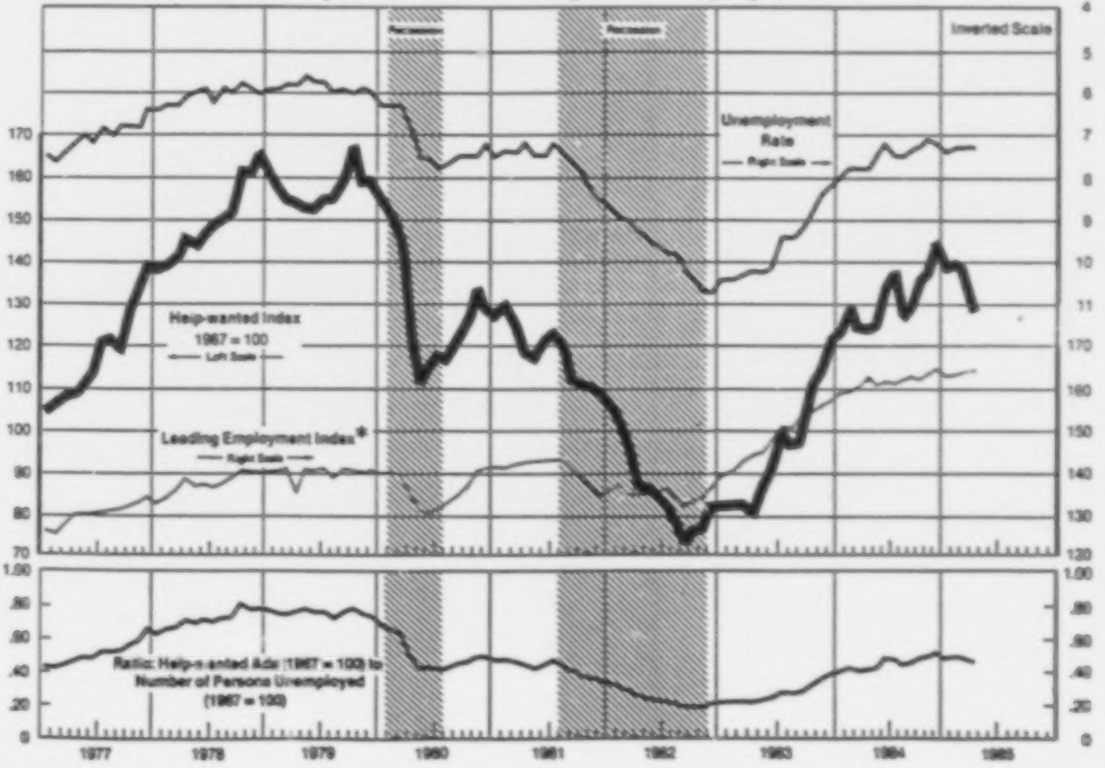
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1985	1984		
Locality	Mar.	Feb.	Jan.	Mar.
National Index	138	140	139r	124
New England	153	151	153	133
Boston	171	166	161	151
Hartford	137	151	174	121
Providence	106	102	109	84
Middle Atlantic	66	66	66	57
Albany	144	142	144	124
Allentown	157	177	202	123
New York	53	53	54	50
Philadelphia	60	58	57	49
Pittsburgh	72	68	66	52
Rochester	81	89	85	63
Syracuse	103	105	99	82
East North Central	88	88	83	72r
Chicago	98	100	90	90
Cincinnati	132	127	130	87
Cleveland	64	61	59	44
Columbus	137	136	137	91
Dayton	80	73	69	57
Detroit	65	63	56	53
Gary	101	106	115	83
Indianapolis	88	85	87	74r
Milwaukee	54	56	56	50
Toledo	109	112	114	79r
West North Central	92	90r	83	73
Kansas City	123	123	121	94
Minneapolis	81	81	81	68
Omaha	128	112	124	114
St. Louis	74	72r	51	54
South Atlantic	175	181	165	145
Atlanta	299	300	295	261
Baltimore	124	169	116	93
Charlotte	159	149	151	141
Jacksonville	205	182	191	195
Miami	88	77	79	94
Richmond	128	126	106	86
Washington, D.C.	181	183	168	151
East South Central	138	137	142	118r
Birmingham	134	140	149	116
Knoxville	227	194	201	184
Louisville	94	90	85	67r
Memphis	105	100	105	108
Nashville	178	200	210	155
West South Central	251	264	279	275
Dallas	352	377	402	389
Houston	300	323	341	343
New Orleans	113	116	117	129
Oklahoma City	141	133	153	147
San Antonio	220	216	210	201
Tulsa	148	147	158	137
Mountain	326	327r	329r	282
Denver	239	230r	226r	206
Phoenix	476	470	457	409
Salt Lake City	284	313	347	246
Pacific	203	205	206	186
Los Angeles	157	158	157	150
Sacramento	341	340	341	290
San Bernardino	197	201	228	146
San Diego	443	475	434	380
San Francisco	205	202	212	188
Seattle	184	188	185	185
Percentage of papers with rising volume	53	43r	33	16
Unemployment rate	7.3	7.3	7.4	7.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8r	92.6p								

Buying Plans Index

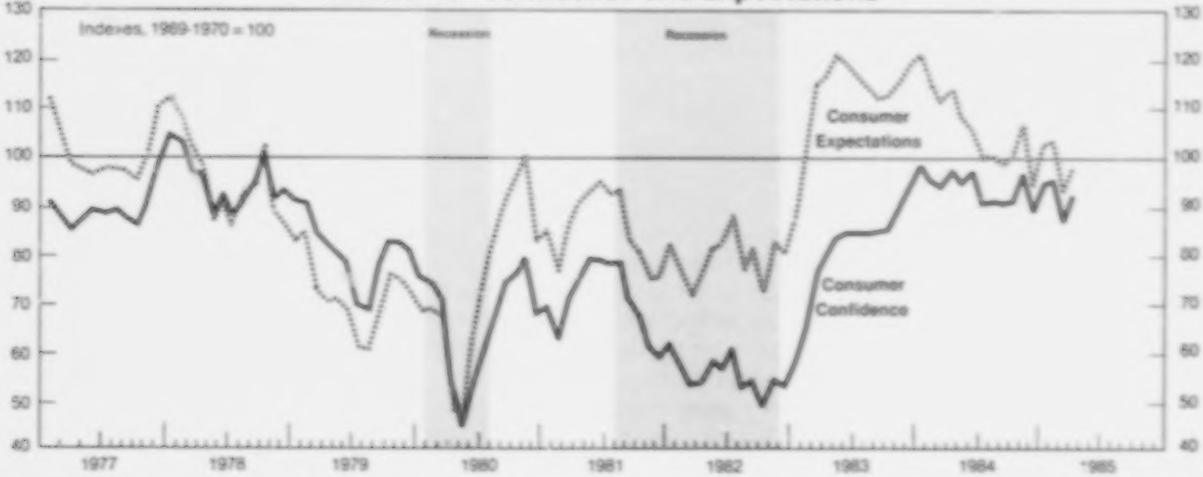
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	111.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	90.3	98.5	102.7	98.2
1985	102.3	107.1	113.8r	98.1p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

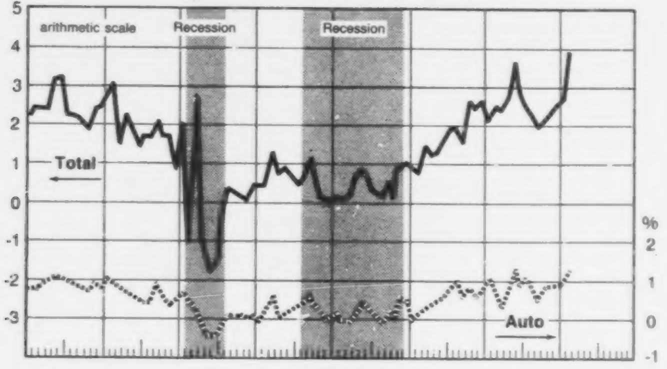
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	183.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

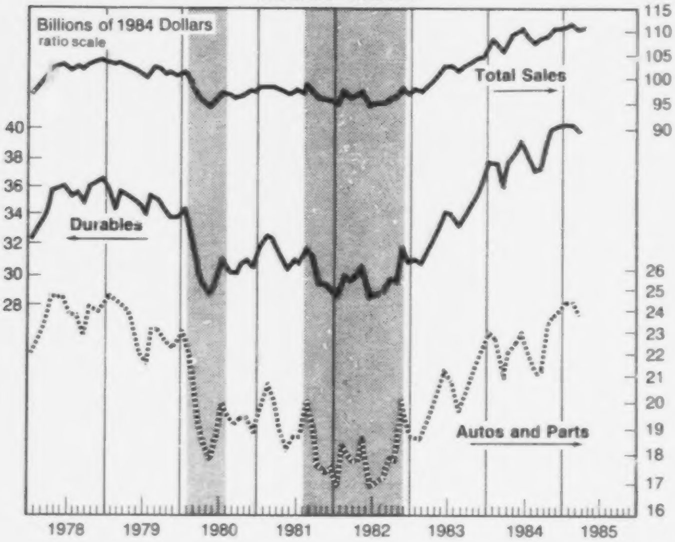
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



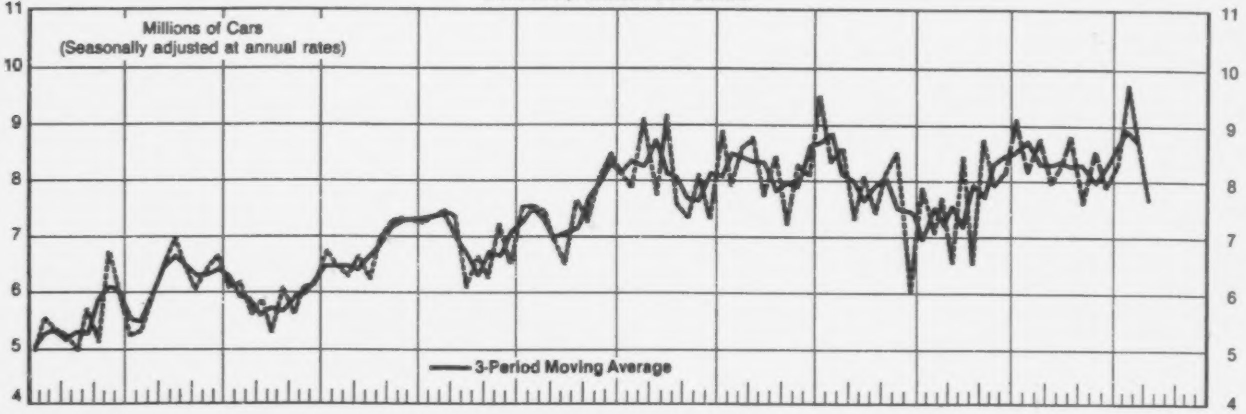
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

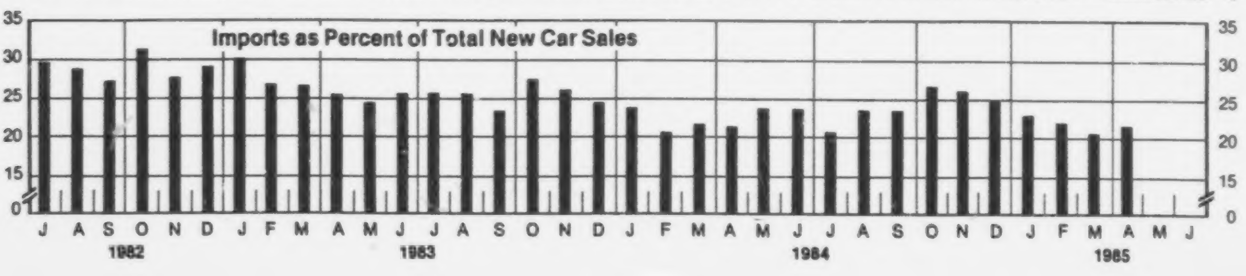
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 18, No. 6, June, 1985

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The Conference Board

COMMENT

- FLAT FIRST QUARTER OVERSHADOWS POCKETS OF STRENGTH IN THE ECONOMY

  POSITIVES - CONSUMER SPENDING ON CARS AND HOMES

  BUSINESS INVESTMENT ON PLANT AND EQUIPMENT

  NEGATIVES - PROFITS AND PRODUCTIVITY

- MONEY GROWTH STRONG, INTEREST RATES FALLING

- SECOND QUARTER GAIN IN REAL GNP GOOD, BUT NOT GREAT

OVERVIEW: The economy looked flat in the first quarter, with real GNP rising by a scant 0.3% annual rate, seasonally adjusted, and business productivity actually falling. An inventory buildup, not completely intended by businesses, accounts for what little output growth there was. To be sure, business investment fell at a 1.5% annual rate and growth in government spending slowed to only 0.3 percent. But consumer spending rose at a 5.2% rate and housing investment was actually up by 1.4 percent. So the problem is on the supply side of the economy, not the demand side.

What is happening is that modest growth in domestic demand is being met by rising imports as buyers take advantage of attractive bargains stemming from the high dollar. Imports had declined in the fourth quarter, contributing to a 4.3% gain in domestic output. But, almost all of the decrease in imports was reversed in the first quarter, limiting the rise of domestic output in the first three months of this year.

All but one of the **Economic Forecasts** indicate that the pace of activity is a little livelier in the second quarter, but the expectations have been lowered. On the positive side: Growth in government spending is unlikely to decline again. Consumer spending continues to rise. Business investment recovers. But there are countervailing trends: Production schedules are being adjusted to limit unintended inventory buildup. And despite some dollar depreciation, imports are still growing. Together with less productivity gain than anticipated, these factors point to a downward revision in the second-quarter outlook. Last October, the median of the **Economic Forcasts** was for a relatively robust 3.4% rise in real GNP. That was still the median forecast as recently as April. But, even considering the stimulative impact of falling interest rates, the median of the forecasts in May is for only a 2.4% rise in GNP in the second quarter. The slower the actual pace of activity during this quarter and the next, the greater the chance that interest rates will come down further.

DEMAND SIDE: Increases in income continue to fuel gains in consumer spending. Falling confidence and a buildup in indebtedness, however, limit how strongly consumer demand can rise.

The IRS, having finally unravelled the computer snafus, is mailing out refunds. But don't expect consumer spending to take off. Knowing the check would eventually be in the mail, consumers already began cutting back on saving in February and March. When the checks started arriving in April, a good portion of the money went directly into the bank.

Consumer attitudes are turning a bit more cautious. Perhaps continued lack of improvement in labor markets is making some workers a little uneasy. The Conference Board's **Consumer Confidence Index** fell in March to 87.8 (1969-1970 = 100), recovered in April to 93.1, but then dropped to 86.2 in May. When the latest survey was taken, the unemployment rate had stood at 7.3% for 3 straight months, it remained at 7.3% in May. The employment data continued to show gains on service jobs, while manufacturing employment inches down - 1.6% lower in May than in January.

Service employment may not be able to keep rising much longer when manufacturing jobs keep slipping. In fact, The Conference Board's **Help-wanted Index** fell from 138 (1967 = 100) in March to 131 in April. Early returns of the May survey indicate that not much of that loss was recovered. This measure of overall demand clearly suggests that employers are being conservative about new hiring.

Consumer unease about business conditions over the next six months, especially this slow pace of hiring, shows up in the **Expectations Index,** a component of the overall confidence measure. The **Expectations Index** stood at 104.1

Ken Goldstein, Editor

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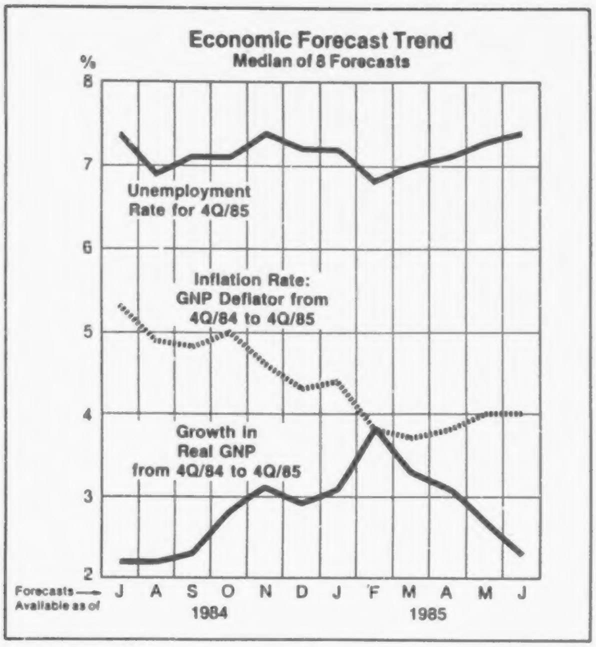


(1969–1970 = 100) in February, but has since dropped to 91. That drop is not alarming, but it does reflect concern that the economy is growing too slowly to keep the jobless rate from rising. The worker/consumer, a little more worried about joining the jobless, will be cautious about buying big-ticket items - to be paid for in installments over the next 2 or 3 years. That hesitancy is especially likely because the consumer sector is already saddled with a fair amount of debt.

But there is little concern that households are overextended. The ratio of **Consumer Debt Expansion to Personal Income** stood at 3.5% in February, dropped to 3.2% in March and 3.1% in April. That ratio is not unreasonably high for this late in an expansion. Still, households, now a little more cautious, will probably slow their borrowing. Reinforcing this is the fact that consumer loan rates have not come down as far as other lending rates.

SUPPLY SIDE: Sluggish production gains are holding down the pace on new hiring and keeping a portion of production facilities idle. Lack of productivity gains and slightly faster cost increases are depressing profit margins. With some spare capacity on hand, and less internal funding available, the strength in business investment is being eroded.

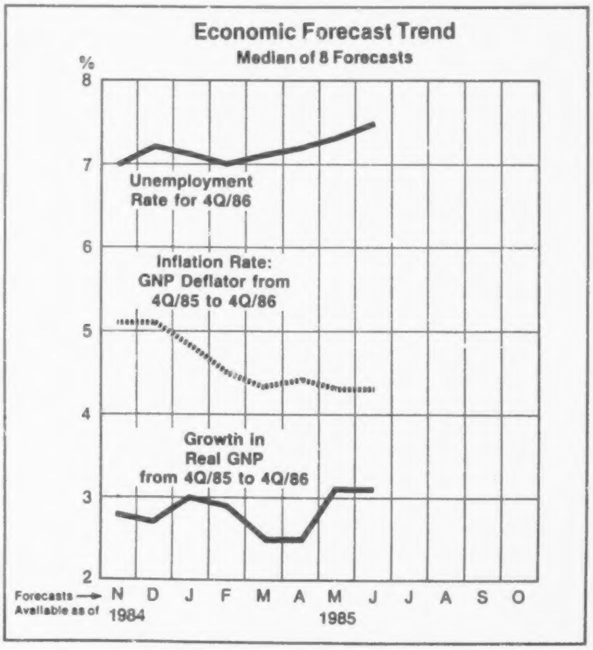
Slow-growing consumer demand and market penetration of imports continue to inhibit increases in industrial production. Total production rose at only a 1.5% annual rate in the first five months of 1985. Still, the inventory/sales ratios have been inching higher. That incremental rise in inventory further limits production gains.

Slow gains in production are keeping a lid on operating rates. Both the advanced - and primary-processing manufacturing capacity utilization rates were down to about 80 ½% in April, almost 2 percentage points below where they were a year ago. That downward drift in operating rates weakens investment demand. The Conference Board's **Capital Appropriation and Expenditures** survey of the nation's 1,000 largest manufacturers showed that capital spending fell in the first quarter. Moreover, the rise in appropriations (approval of new spending plans) was cut. However, appropriations rose sharply last year and spending on some of those projects is expected to get underway this year. Industry executives said that they expect their investment to rise by 17% this year.

Falling profits cut into internal funding of investment, limiting its increase. Corporate profits fell almost 8% at an annual rate, in the first quarter. As indicated on the **Key Determinants of Profit Margins** chart, a decline in output per labor hour in the first quarter accelerated the rise in unit labor cost. That diminished the profit margin of nonfinancial corporations. Productivity gains over the last 3 quarters have been much slower than anticipated. That is a major factor in the slowdown of economic growth.

With the economy growing only fast enough to keep unemployment from rising, interest rates are falling. Banks lowered the prime rate and the Federal Reserve lowered the discount rate - the rate it charges member banks. Many analysts anticipated further declines in borrowing rates. Stock prices have been rising despite the first-quarter drop in profits, and despite the forecast of even lower profit levels for the rest of the year.

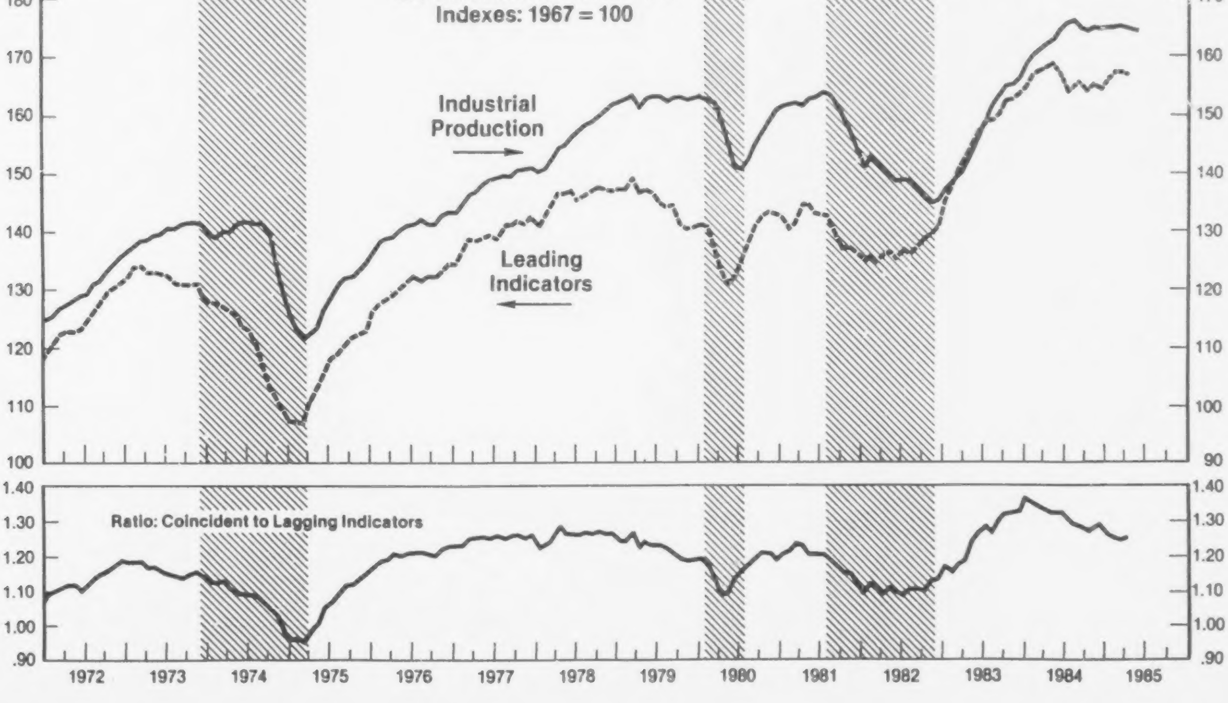
Ken Goldstein
June 14, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.		X		+ 0.6%	– 0.4%
Capital Investment Commitments						
•Contracts and orders, plant & equipment (deflated)	Apr.		X		+ 13.0%	– 1.6%
New orders, nondefense capital goods (deflated)	Apr.		X		+ 11.8%	– 3.5%
•New business formation	Apr.			X	– 2.3%	– 2.0%
•Housing permits	Apr.	X			+ 4.2%	– 4.7%
Inventory Investment and Purchasing						
•New orders, consumer goods & materials (deflated)	Apr.		X		– 3.0%	+ 2.3%
•Change in inventory, on hand & order (deflated)	Mar.	X			+ 7.9%	– 18.9%
Purchasing agents' buying policy	May.			X	– 4.0%	– 12.0%
•Vendor performance, reported slower deliveries	May			X	– 4.0%	– 26.0%
Industrial raw materials prices	May		X		– 0.1%	– 12.6%
•Change in sensitive material prices	Apr.		X		– 0.1%	– 1.0%
Sensitive Financial Flows						
•Money balance (M2 deflated)	Apr.		X		0.0%	+ 4.5%
Change in business loans	Apr.			X	– 36.5%	– 84.7%
•Change in credit outstanding	Mar.		X		+ 6.7%	– 7.2%
Change in consumer installment debt	Mar.	X			+ 18.3%	+ 29.0%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	– 1.8%	– 10.1%
•Common stock prices	May		X		+ 1.2%	+ 16.9%
Marginal Employment Adjustments						
•Average workweek, mfg.	May	X			+ 0.3hr	– 0.3hr
•Initial unemployment claims (inverted)	May	X			+ 8.0%	– 6.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.
•These twelve series make up the Composite Leading Index charted below.



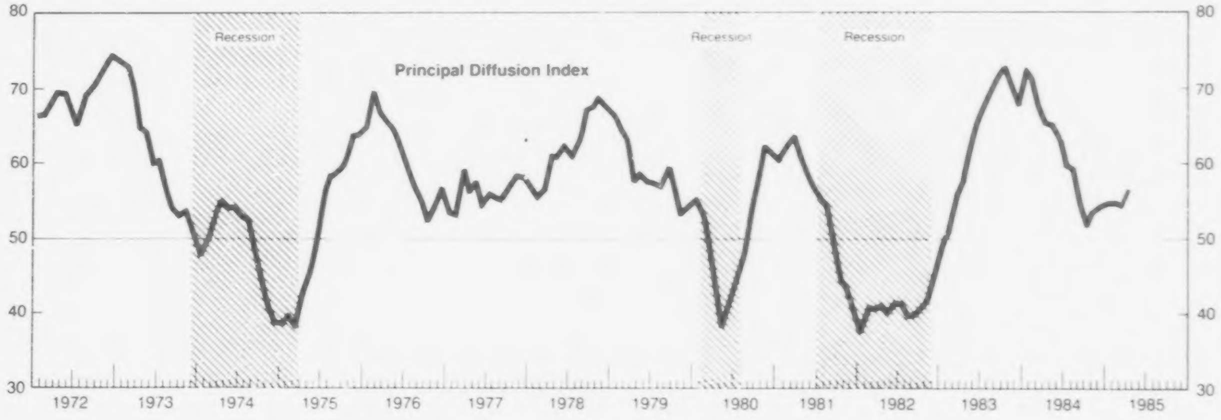
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984	1985			
	Apr.	Jan.	Feb.	Mar.	Apr.(e)
Principal Diffusion Index	66.3	54.7	55.2r	54.2r	56.3
Auxillary Diffusion Index	44.9	51.6	51.4r	47.0r	56.8
Industrial Group	63.0	48.8	47.9r	50.5r	51.3
Nonindustrial Group	69.5	60.6	62.4r	57.9r	61.3
Sense of Diffusion	1.0	0	0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	56.0	49.6	49.1r	51.5r	59.0
Labor	62.7	52.6	50.6	54.0	50.4
Miscellaneous	74.4	38.5	39.1	40.4	42.3
Nonindustrial Subgroups					
Prices	69.2	39.1	40.4	33.3	42.9
Consumer	80.3	81.6	85.0	78.2	81.6
Building	69.9	65.4	63.5	69.2	74.4
Miscellaneous	58.5	50.9	53.8r	46.6r	44.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982		*1983*				*1984*				*1985*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	55	60	70	76	75	74	70	65	61	57	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	38	44	65	76	82	80	76	75	70	57	62
2. Expectations for Economy, Six Months Ahead	65	70	76	78	74	73	67	60	57	57	61
3. Expectations for Own Industry, Six Months Ahead	61	65	70	72	69	70	67	61	57	58	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983		1984				1985	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	22.785	24.262	26.816	37.154	27.592	29.190	30.506	32	3
Capital expenditures	18.244	19.560	19.905	21.808	22.924	24.875	23.346	19	17
Change in appropriations backlog*	+1.988	+0.928	+5.152	+13.867	+3.386	+1.748	+5.522		
Durable Goods									
New appropriations	9.119	11.024	13.662	21.216	12.617	14.938	17.269	59	−22
Capital expenditures	7.667	8.727	8.714	10.033	11.031	12.463	11.296	33	14
Change in appropriations backlog*	+1.466	+0.819	+4.057	+10.842	+1.303	+1.100	+4.895		
Nondurable Goods									
New appropriations	13.666	13.238	13.154	15.938	14.975	14.252	13.237	12	17
Capital expenditures	10.577	10.833	11.191	11.775	11.893	12.412	12.050	9	19
Change in appropriations backlog*	+0.522	+0.109	+1.095	+3.024	+2.083	+0.648	+0.627		
ELECTRIC & GAS UTILITIES									
New appropriations	5.752	6.561	5.090	7.843	9.675	11.383		26	
Capital expenditures	8.922	8.676	8.737	8.859	9.019	9.190		1	
Change in appropriations backlog*	−4.321	−4.415	−6.109	−2.971	−1.526	−3.086			

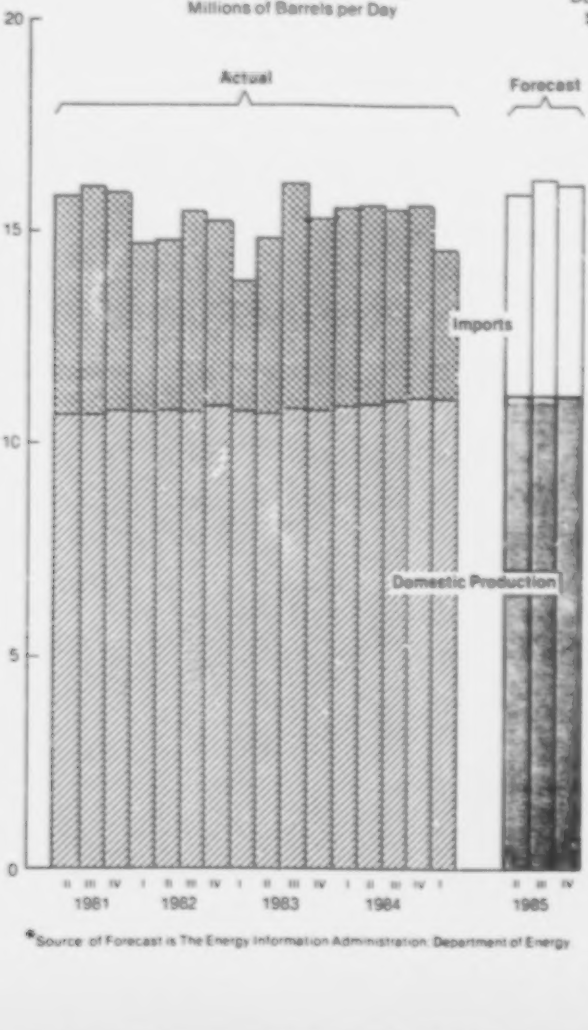
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

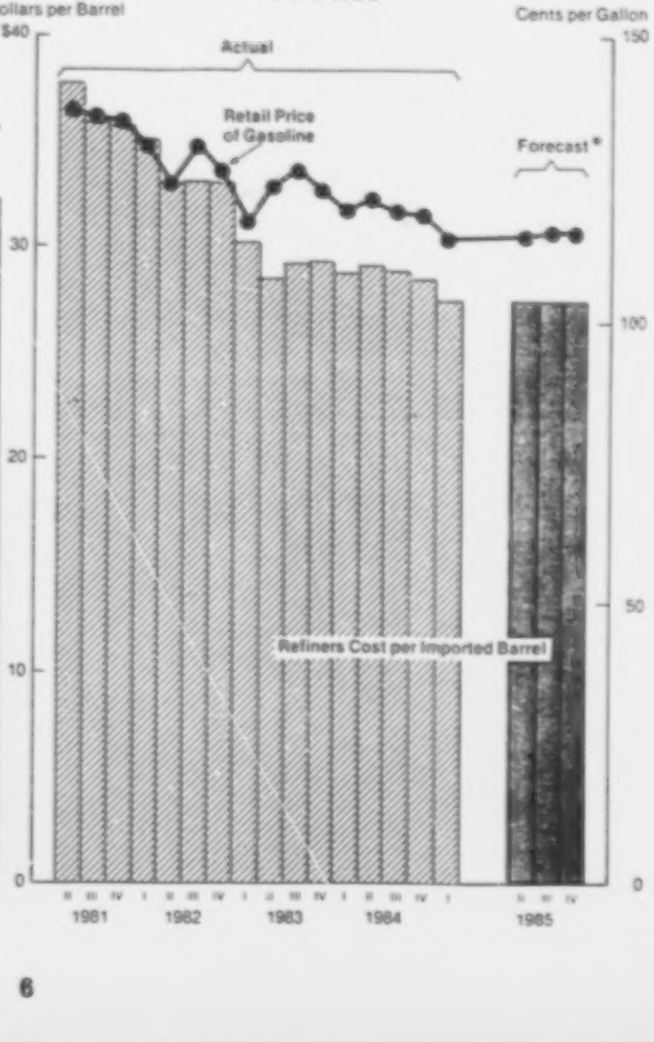
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments)

** Results based on survey respondents' expectations.

Oil Supply



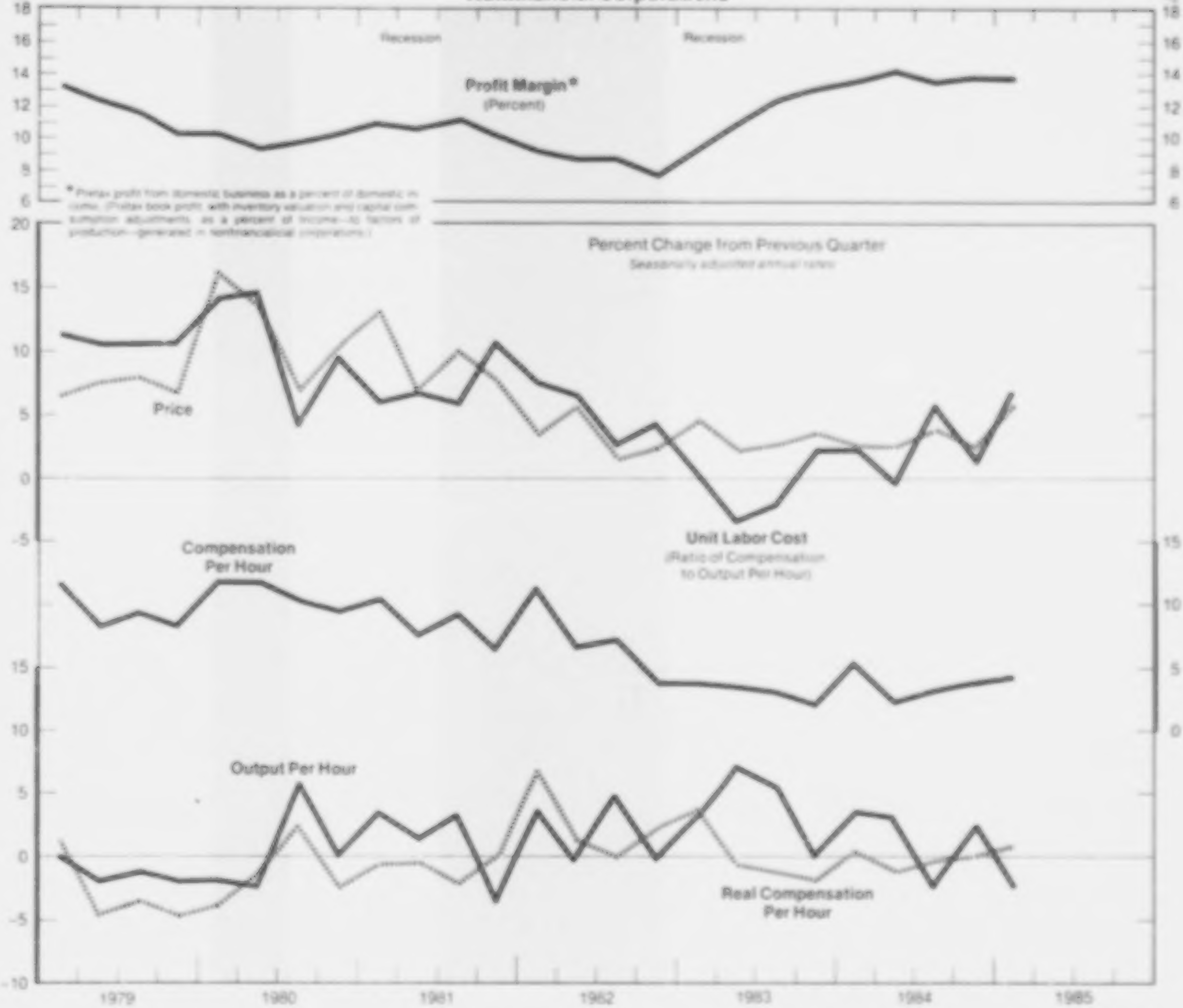
Oil Price



*Source of Forecast is The Energy Information Administration: Department of Energy

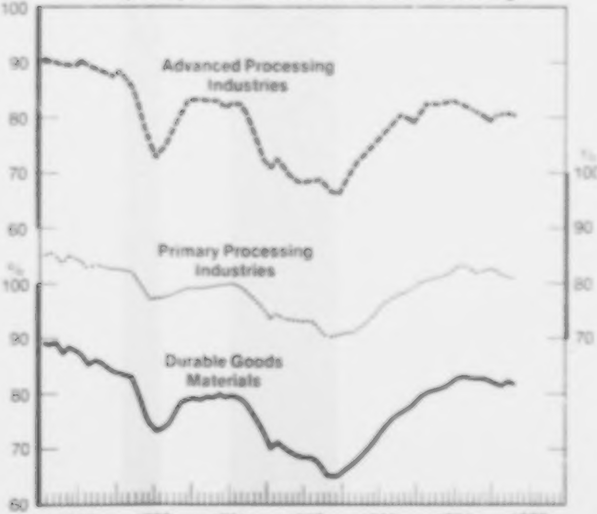
Key Determinants of Profit Margin

Nonfinancial Corporations

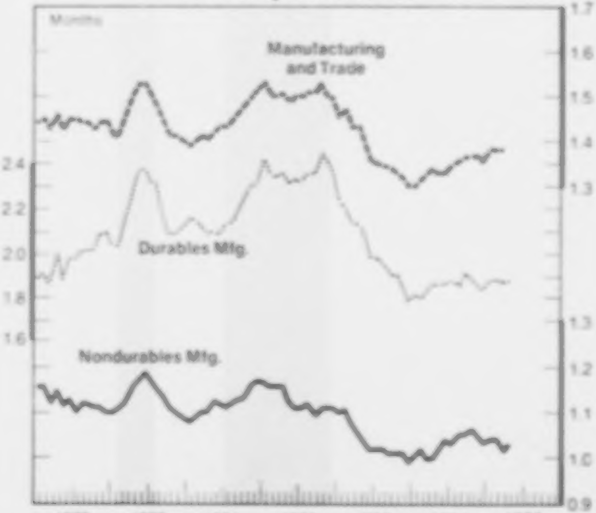


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialcial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting[1] Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*May, 1985*		*May, 1985*		*May, 1985*		*May, 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	1985	I	$3817.1	6.4%	$3817.1	6.4%	$3817.1	6.4%	$3817.1	6.4%
		II	3882.3	7.0	3871.2	5.8	3837.8	2.2	3869.2	5.6
		III	3952.0	7.4	3937.6	7.0	3886.9	5.2	3944.9	8.1
		IV	4024.0	7.5	3997.9	6.3	3971.0	8.9	4012.2	7.0
	1986	I	4091.0	6.8	4069.1	7.3	4046.5	7.8	4085.0	7.5
		II	4160.8	7.0	4147.6	7.9	4129.9	8.5	4150.7	6.6
		III	4245.2	8.4	4229.0	8.1	4214.2	8.4	4187.1	3.6
		IV	4335.8	8.8	4315.0	8.4	4299.3	8.3	4213.5	2.5
	1987	I	4432.9	9.3			4368.5	6.4	4270.2	5.5
		II	4523.3	8.4			4448.2	7.7		
	1985	Annual	3918.9	7.0	3906.0	6.6	3878.2	5.9	3910.9	6.8
	1986	Annual	4208.2	7.4	4190.2	7.3	4172.5	7.6	4159.1	6.3
Gross National Product Billions of Constant (1972) Dollars										
Actual	1985	I	$1665.4	.7%	$1665.4	.7%	$1665.4	.7%	$1665.4	.7%
		II	1682.6	4.2	1675.6	2.5	1665.0	–.1	1674.1	2.1
		III	1699.9	4.2	1688.1	3.0	1679.0	3.4	1692.2	4.4
		IV	1714.6	3.5	1697.3	2.2	1697.0	4.4	1704.7	3.0
	1986	I	1725.8	2.6	1708.3	2.6	1711.0	3.3	1716.6	2.8
		II	1738.6	3.0	1723.4	3.6	1728.0	4.0	1724.7	1.9
		III	1755.6	4.0	1737.6	3.3	1745.0	4.0	1722.1	–.6
		IV	1773.3	4.1	1754.0	3.8	1762.0	4.0	1714.0	–1.9
	1987	I	1791.4	4.1			1775.0	3.0	1713.1	–.2
		II	1808.6	3.9			1790.0	3.4		
	1985	Annual	1690.6	3.1	1681.6	2.6	1676.6	2.3	1684.1	2.7
	1986	Annual	1748.3	3.4	1730.8	2.9	1736.5	3.6	1719.4	2.1
Gross National Product deflator Index, 1972 = 100										
Actual	1985	I	229.2	5.6%	229.2	5.6%	229.2	5.6%	229.2	5.6%
		II	230.7	2.7	231.0	3.2	230.5	2.3	231.1	3.4
		III	232.5	3.1	233.3	3.9	231.5	1.8	233.1	3.5
		IV	234.7	3.8	235.5	4.0	234.0	4.4	235.4	3.9
	1986	I	237.0	4.1	238.2	4.6	236.5	4.3	238.0	4.5
		II	239.3	3.9	240.7	4.2	239.0	4.3	240.7	4.6
		III	241.8	4.2	243.4	4.6	241.5	4.3	243.1	4.2
		IV	244.5	4.5	246.0	4.4	244.0	4.2	245.8	4.5
	1987	I	247.5	4.9			246.0	3.3	249.3	5.7
		II	250.1	4.3			248.5	4.1		
	1985	Annual	231.8	3.7	232.3	4.0	231.3	3.5	232.2	3.9
	1986	Annual	240.7	3.8	242.1	4.2	240.3	3.9	241.9	4.2
Unemployment Rate										
Actual	1985	I		7.3%		7.3%		7.3%		7.3%
		II		7.3		7.3		7.2		7.3
		III		7.2		7.4		7.1		7.1
		IV		7.2		7.5		6.9		7.1
	1986	I		7.2		7.5		6.9		7.0
		II		7.3		7.4		6.7		7.1
		III		7.2		7.2		6.8		7.3
		IV		7.2		7.1		6.9		7.5
	1987	I		7.1				6.9		7.8
		II		6.9				6.9		
	1985	Annual		7.3		7.4		7.1		7.2
	1986	Annual		7.2		7.3		6.8		7.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1] Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

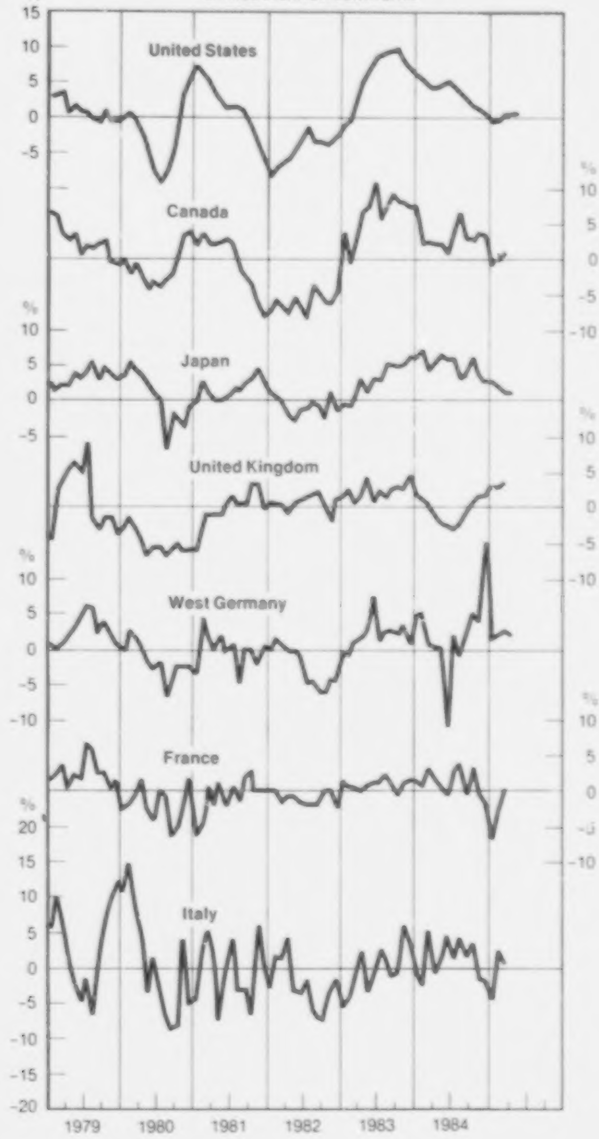
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1985		*May, 1985*		*May, 1985*		*May, 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3817.1	6.4%	$3817.1	6.4%	$3817.1	6.4%	$3817.1	6.4%	I	1985	Actual
3879.0	6.5	3880.5	6.8	3873.0	6.0	3874.4	6.1	II		
3929.0	3.4	3957.8	8.2	3929.7	6.0	3945.2	7.5	III		
3964.0	3.6	4020.3	6.5	3985.1	5.8	4015.9	7.4	IV		
4029.0	6.7	4068.9	4.9	4036.3	5.4	4087.4	7.3	I	1986	
4112.0	8.5	4124.6	5.6	4096.2	5.9	4153.4	6.6	II		
4203.0	9.2	4212.7	8.8	4172.5	7.7	4224.6	7.0	III		
4282.0	7.7	4305.6	9.1	4257.1	8.4	4302.8	7.6	IV		
		4403.6	9.4	4351.3	9.1	4393.8	8.7	I	1987	
		4494.0	8.5	4438.5	8.3	4485.4	8.6	II		
3897.0	6.4	3916.9	7.0	3901.2	6.5	3913.2	6.8	Annual	1985	
4158.5	6.7	4178.0	6.6	4141.0	6.1	4192.1	7.1	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1665.4	.7%	$1665.4	.7%	$1665.4	.7%	$1665.4	.7%	I	1985	Actual
1676.2	2.6	1675.5	2.4	1678.8	3.3	1673.8	2.0	II		
1688.1	2.9	1691.4	3.8	1691.7	3.1	1687.9	3.4	III		
1688.1	0.0	1702.5	2.7	1700.8	2.2	1700.6	3.0	IV		
1698.2	2.4	1705.4	.7	1707.6	1.6	1710.6	2.4	I	1986	
1713.3	3.6	1712.0	1.6	1716.9	2.2	1719.6	2.1	II		
1732.4	4.5	1729.8	4.2	1732.3	3.6	1730.4	2.5	III		
1746.0	3.2	1748.3	4.3	1749.3	4.0	1743.7	3.1	IV		
		1765.2	3.9	1767.0	4.1	1758.2	3.4	I	1987	
		1780.6	3.5	1782.9	3.6	1773.6	3.5	II		
1679.5	2.4	1683.7	2.7	1684.2	2.7	1681.9	2.6	Annual	1985	
1722.5	2.6	1723.9	2.4	1726.5	2.5	1726.1	2.6	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
$ 229.2	5.6%	229.2	5.6%	229.2	5.6%	229.2	5.6%	I	1985	Actual
231.4	3.8	231.6	4.3	230.7	2.6	231.5	4.0	II		
232.7	2.4	234.0	4.2	232.2	2.8	233.7	4.0	III		
234.8	3.6	236.1	3.7	234.3	3.5	236.1	4.2	IV		
237.3	4.2	238.6	4.2	236.5	3.8	238.9	4.8	I	1986	
240.0	4.7	240.9	4.0	238.6	3.6	241.5	4.4	II		
242.6	4.4	243.5	4.4	240.9	3.9	244.1	4.4	III		
245.2	4.4	246.3	4.6	243.4	4.2	246.8	4.4	IV		
		249.5	5.3	246.3	4.8	249.9	5.2	I	1987	
		252.4	4.8	248.9	4.4	252.9	4.9	II		
232.0	3.8	232.7	4.2	231.6	3.7	232.6	4.1	Annual	1985	
241.3	4.0	242.3	4.1	239.8	3.5	242.8	4.4	Annual	1986	
								Unemployment Rate		
	7.3%		7.3%		7.3%		7.3%	I	1985	Actual
	7.3		7.2		7.4		7.4	II		
	7.4		7.2		7.4		7.5	III		
	7.7		7.3		7.5		7.6	IV		
	7.7		7.5		7.6		7.6	I	1986	
	7.7		7.7		7.7		7.6	II		
	7.5		7.6		7.7		7.5	III		
	7.3		7.5		7.7		7.5	IV		
			7.3		7.6		7.4	I	1987	
			7.1		7.5		7.3	II		
	7.4		7.3		7.4		7.5	Annual	1985	
	7.6		7.6		7.7		7.5	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

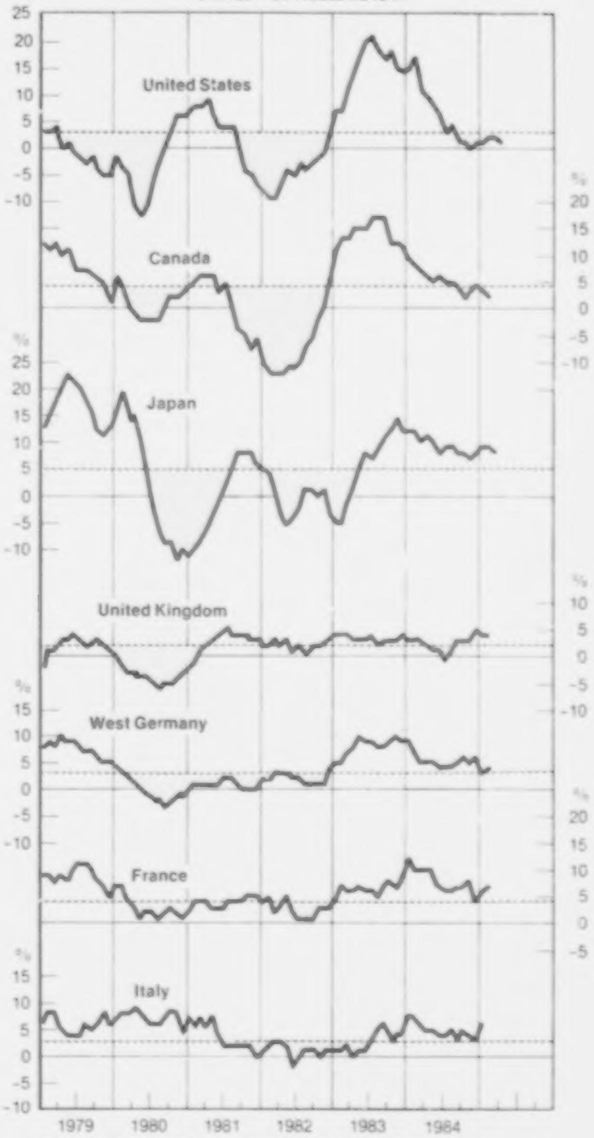
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



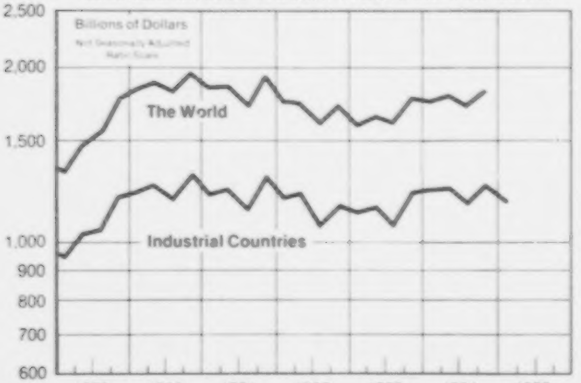
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

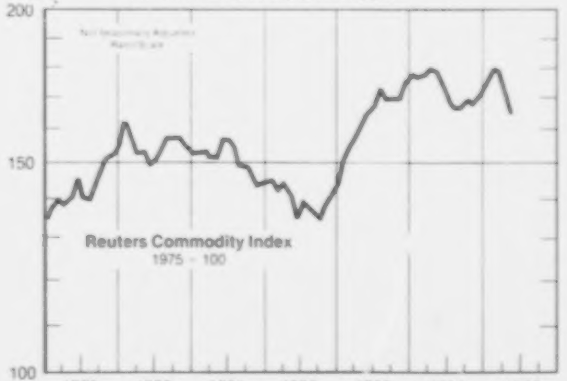


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

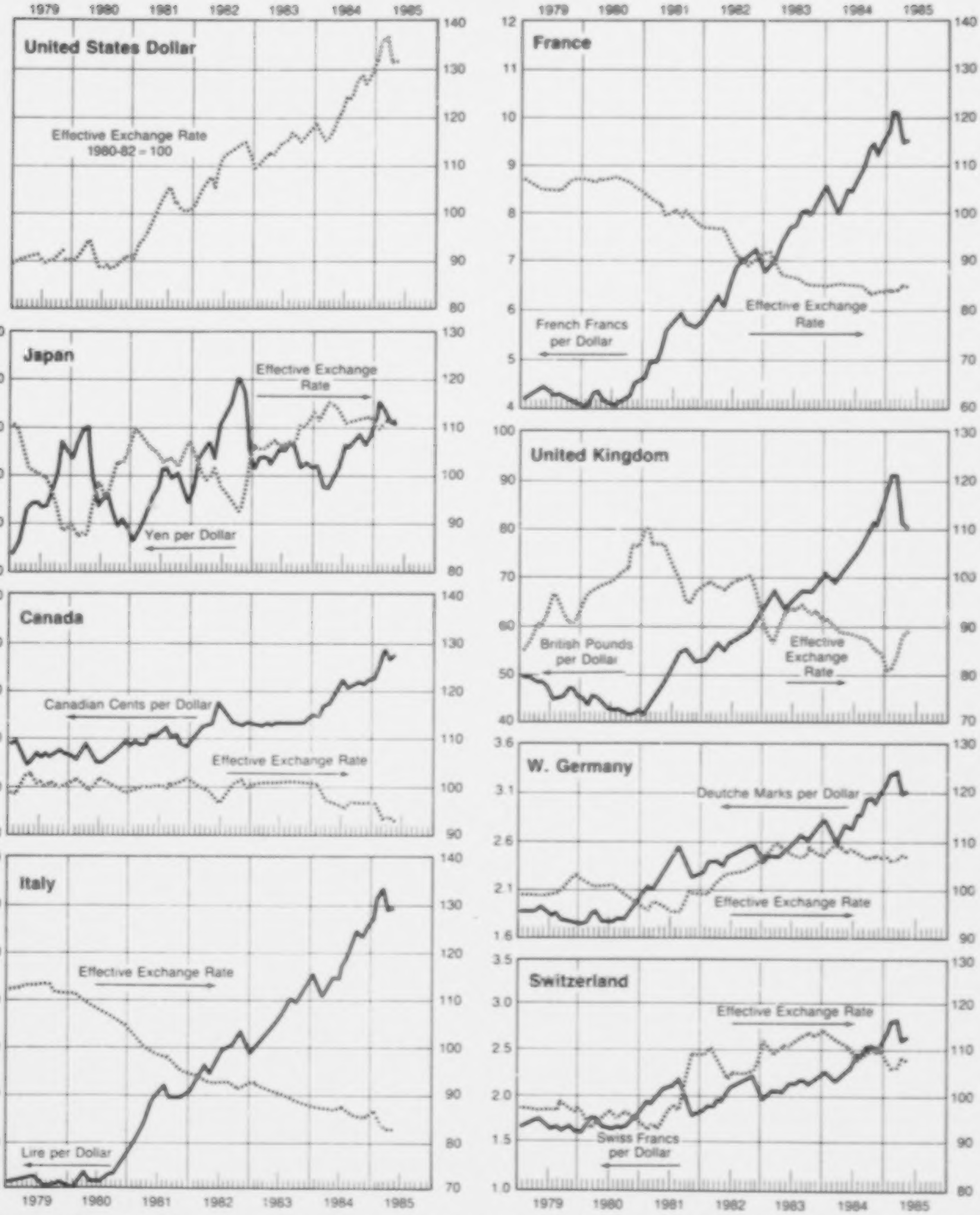


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



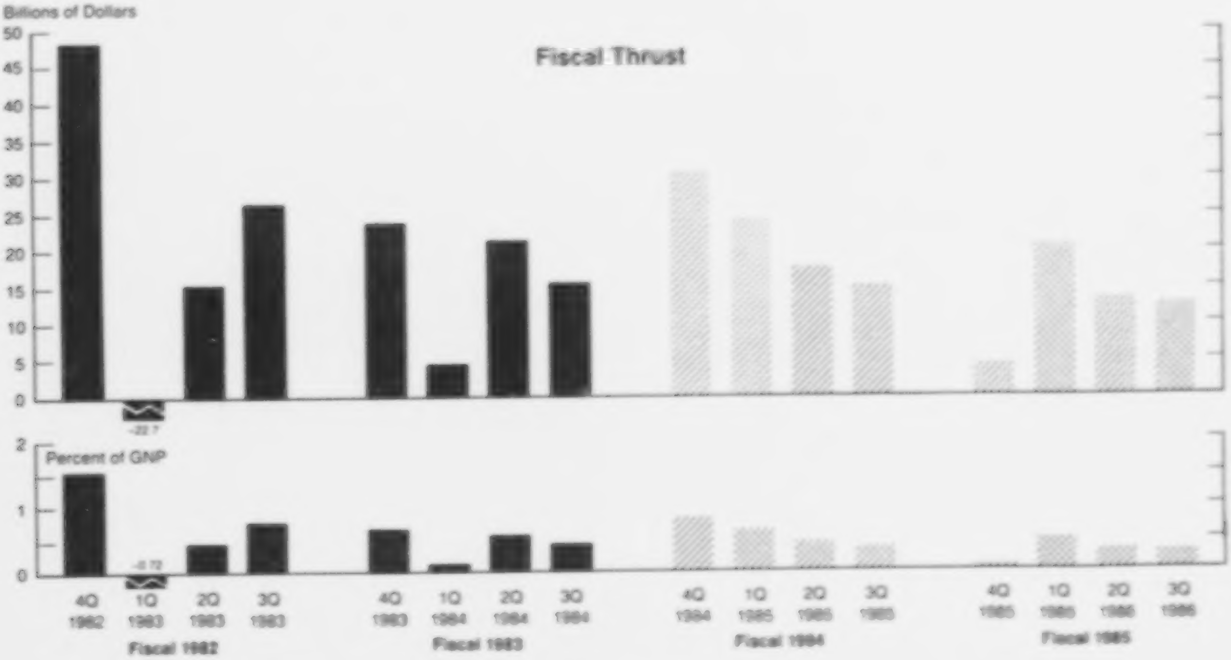
Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

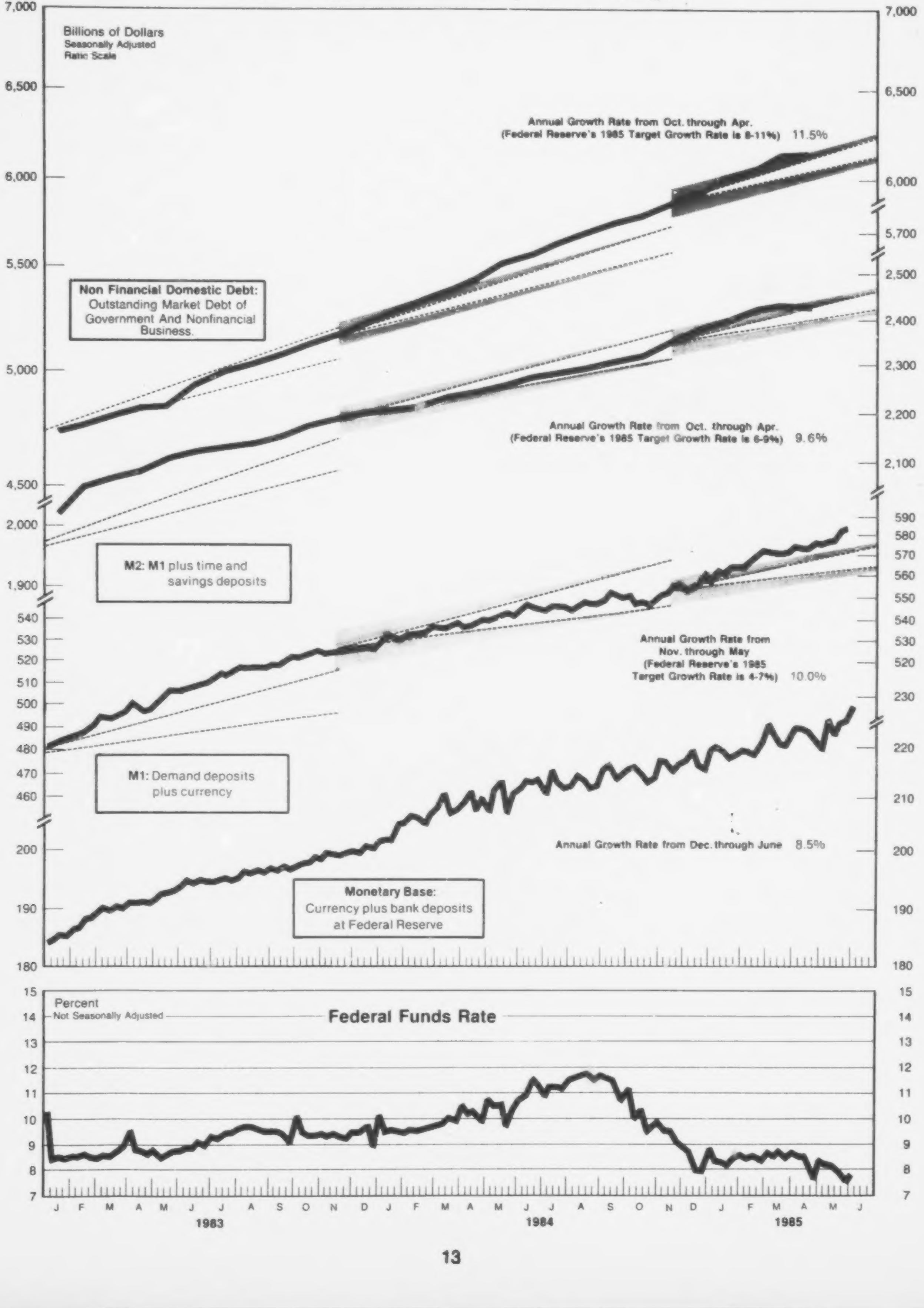
	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Senate	House	Senate	House	Senate	House
	(5/9/85)	(5/16/85)	(5/9/85)	(5/16/85)	(5/9/85)	(5/16/85)
Receipts	**793.6**	**794.1**	**866.3**	**866.0**	**955.9**	**955.6**
Outlays	**965.0**	**967.3**	**1,011.1**	**1,028.5**	**1,060.2**	**1,080.0**
Deficit	**-171.4**	**-173.2**	**-144.8**	**-162.5**	**-104.3**	**-124.4**
Receipts by source	**793.6**	**794.1**	**866.3**	**866.0**	**955.9**	**955.6**
Individual income taxes	364.5	364.5	398.3	398.3	438.0	438.0
Corporate income taxes	72.3	72.3	89.3	89.3	103.2	103.2
Social insurance	285.4	285.4	306.1	306.1	342.9	342.9
Other receipts	71.4	71.9	72.6	72.3	71.8	71.5
Outlays by function	**965.0**	**967.3**	**1,011.1**	**1,028.5**	**1,060.2**	**1,080.0**
National defense	273.1	267.1	292.1	285.2	313.0	303.9
Social security and medicare	263.2	269.1	280.7	289.7	302.7	312.9
Income security	116.6	121.8	120.6	127.8	125.7	133.9
Health	35.3	35.6	37.8	38.3	40.3	40.8
Education and manpower	30.3	31.2	29.9	32.1	30.4	32.9
Transportation	26.1	26.5	27.7	28.9	27.4	29.5
Veterans' benefits	26.1	26.8	26.2	27.4	26.7	27.8
International affairs	17.8	18.6	17.1	16.9	16.7	16.2
Agriculture	14.5	15.8	15.8	16.9	12.9	15.0
National resources and environment	12.5	13.0	12.4	12.8	12.5	13.2
General science	9.0	8.9	8.8	8.9	9.0	8.9
Community development	7.9	8.2	7.1	8.1	6.7	7.9
Justice	6.7	6.8	5.9	7.0	7.0	7.2
Commerce and housing credit	3.4	4.6	2.3	5.0	5.1	6.7
General government	5.2	5.3	5.2	5.2	5.5	5.5
Energy	5.1	5.6	4.6	5.4	4.2	4.7
Revenue sharing	6.5	5.7	3.2	2.9	2.1	2.1
Interest	142.3	140.9	152.1	150.9	153.9	153.9
Allowances	-1.6	-4.4	-1.6	-4.3	-0.5	-3.2
Undistributed offsetting receipts	-35.0	-39.8	-37.8	-36.6	-41.1	-39.8

Note: These estimates are from the first budget resolution. A joint conference is currently reconciling the differences between the Senate and House versions. A new budget resolution should be reported by July.



Note: The Conference Board has developed [illegible] of fiscal thrust which [illegible] the initial economic impact of the budget which [illegible] sector of the economy. For more complete descriptions, see Michael [illegible] The Federal Budget: [illegible] Economy [illegible] The Conference Board, New York, 1985.

Money Supply and Monetary Growth Targets



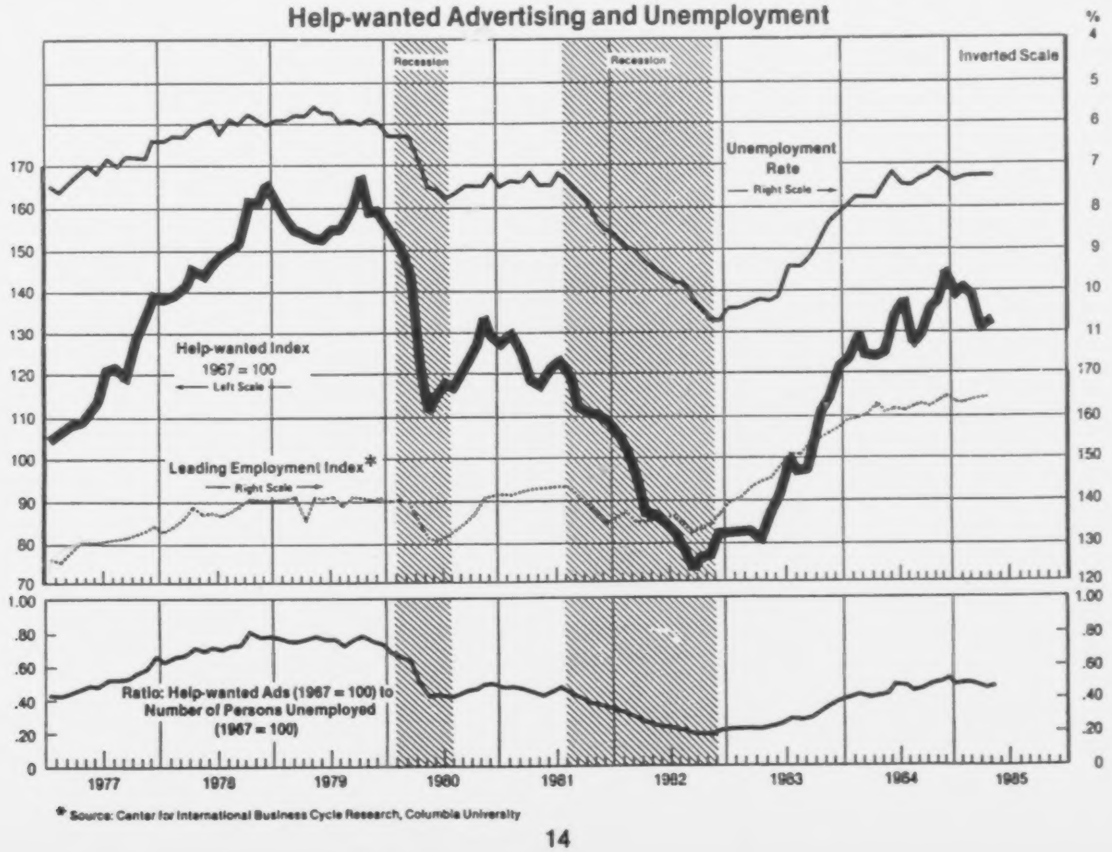
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985			1984
	Apr.	Mar.	Feb.	Apr.
National Index	131	138	140	124
New England	149	153	151	137
Boston	161	171	166	155
Hartford	151	137	151	129
Providence	103	106	102	81
Middle Atlantic	62	66	66	58
Albany	149	144	142	120
Allentown	174	157	177	150
New York	53	53	53	50
Philadelphia	49	60	58	52
Pittsburgh	61	72	68	51
Rochester	79	81	89	69
Syracuse	97	103	105	87
East North Central	83	88	88	73
Chicago	94	98	100	90
Cincinnati	101	132	127	90
Cleveland	58	64	61	48
Columbus	130	137	136	98
Dayton	79	80	73	59
Detroit	64	65	63	53
Gary	87	101	106	74
Indianapolis	85	88	85	74
Milwaukee	50	54	56	46
Toledo	112	109	112	84
West North Central	84	91r	90	75
Kansas City	117	123	123	93
Minneapolis	75	81	81	71
Omaha	120	128	112	119
St. Louis	64	72r	72	57
South Atlantic	158	175	181	141
Atlanta	271	299	300	259
Baltimore	111	124	169	80
Charlotte	139	159	149	138
Jacksonville	192	205	182	186
Miami	82	89	77	80
Richmond	119	128	126	86
Washington, D.C.	162	181	183	143
East South Central	143	138	137	120
Birmingham	138	134	140	114
Knoxville	207	227	194	183
Louisville	77	94	90	61
Memphis	108	105	100	99
Nashville	231	178	200	185
West South Central	235	251	264	268
Dallas	322	352	377	351
Houston	280	300	323	339
New Orleans	104	113	116	146
Oklahoma City	140	141	133	153
San Antonio	211	220	218	209
Tulsa	149	148	147	138
Mountain	314	326	327	278
Denver	212	239	230r	193
Phoenix	475	476	470	400
Salt Lake City	287	284	313	270
Pacific	194	203	205	186
Los Angeles	143	157	158	148
Sacramento	342	341	340	297
San Bernadino	221	197	201	192
San Diego	435	443	475	357
San Francisco	193	205	202	185
Seattle	175	184	178	186
Percentage of papers with rising volume	22	53	41	45
Unemployment rate	7.3	7.3	7.3	7.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1r	86.2p							
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4r	86.1p							

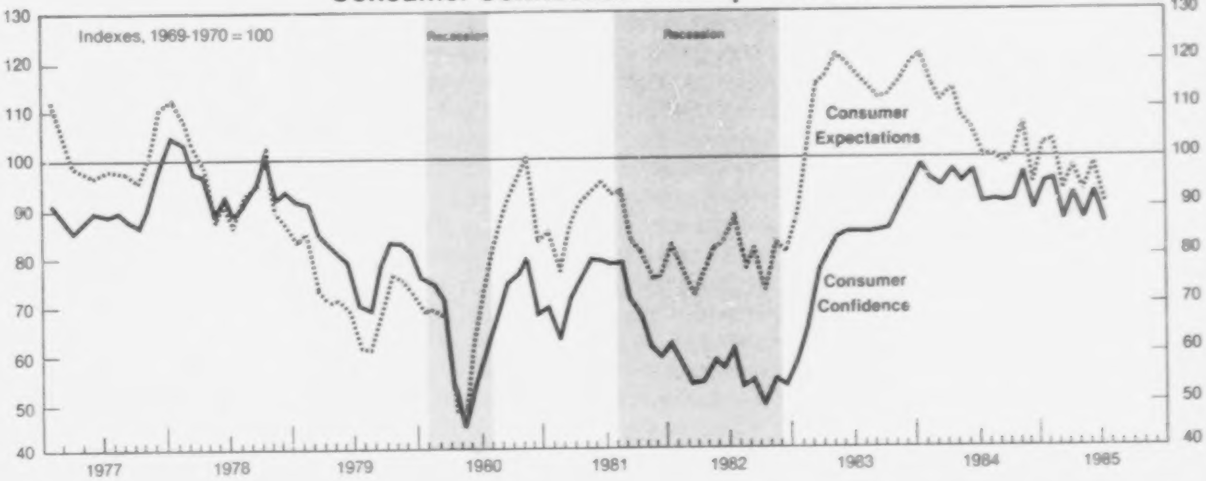
Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

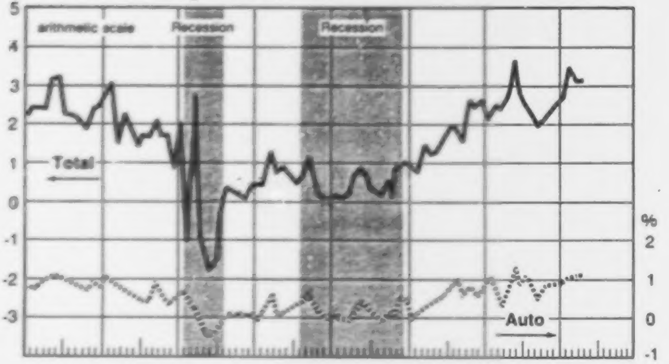
			Discretionary			Ratios			
		Aggregate Purchasing Power (APP)	Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

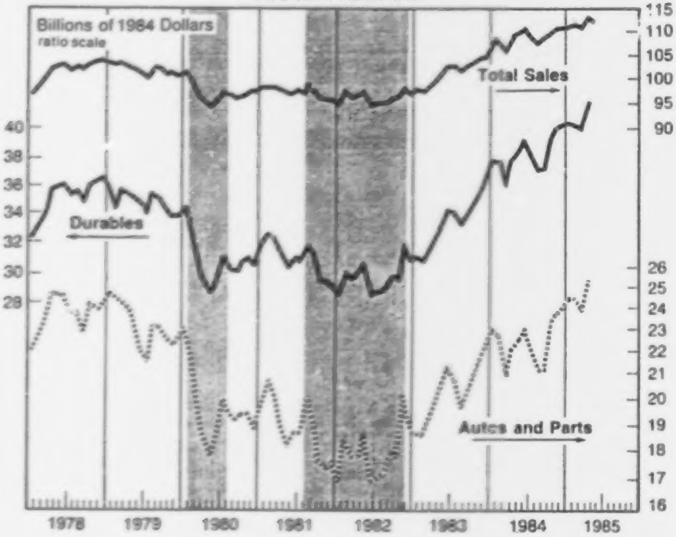
P—Preliminary

R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



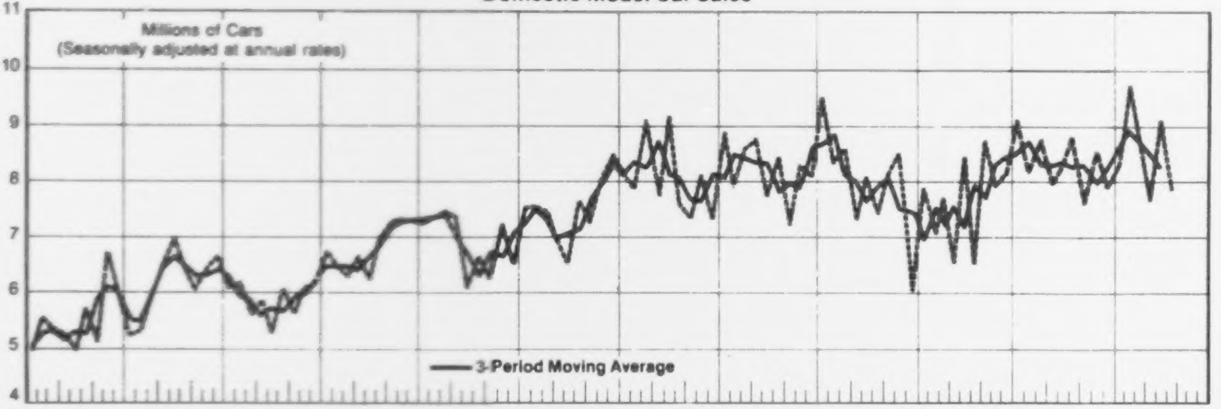
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

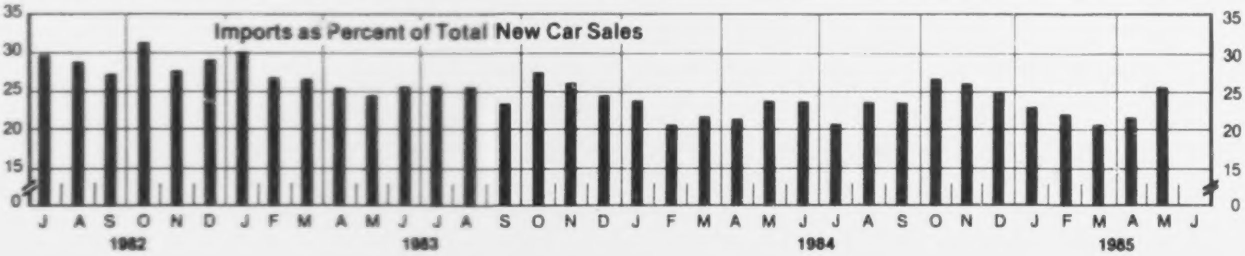
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 18, No. 7, July, 1985

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The Conference Board

COMMENT

- THE PACE OF ACTIVITY QUICKENED A BIT IN SECOND QUARTER
  - CONSUMER DEMAND CONTINUED TO EXPAND, AND
  - BUSINESS INVESTMENT REBOUNDED, BUT
  - FOREIGN SUPPLY IS MEETING DOMESTIC DEMAND, SO
  - THE INDUSTRIAL SECTOR STRUGGLES
- MONEY GROWTH STILL STRONG, INTEREST RATES FELL AGAIN
- THE DOLLAR DEPRECIATES
- OUTLOOK * THIRD QUARTER PROMISING—SPRING GROWTH CARRIES INTO SUMMER.

OVERVIEW: The economy is running at an extremely modest pace right now. The latest statistics show that overall GNP was not much higher in the second quarter than in the fairly flat first quarter. That 1.7% growth in real GNP in the second quarter was lower than expected by the forecasters (2.9% median of the **Economic Forecasts**). It was also lower than the Flash report. While supply conditions remain weak as the Summer quarter begins, consumer demand continues to expand modestly.

DEMAND SIDE: Consumer spending is rising modestly despite lower sentiment. Their credit demand is tapering, after a big buildup this past Winter. Business investment remains strong. Inventory is being pared relative to sales. Nothing new on rising trend in imports. Federal government spending dipped in May, following a big increase in April.

Consumer sentiment remains guarded. The Conference Board's *Consumer Confidence Index* has moved erratically lower throughout the first half of 1985. Even with a pickup in June, to 91.5 (1969-1970 = 100), this series is below the levels of last fall. What the recent surveys are showing is this. Consumers are a little more concerned now about the size of pay increases over the next six months. But, they are decidely more worried about whether business conditions will remain strong enough to support increased job availability. And these concerns are prompting a weakening in **Consumer Confidence**.

Labor market conditions continue to soften. The Conference Board's **Help-wanted Index** has turned sharply lower, a good indicator that jobs are becoming more scarce. New hiring in the service sector continues to offset declines in manufacturing. Employment in construction and government, which had been rising, fell in June. The lack of stronger job growth limits the rise in household income and weakens their attitudes.

The numbers on personal income have been beset by special problems throughout the first half of this year. First, computer snafus prevented the IRS from mailing out refunds. The checks were apparently in the mail by April, but so were retroactive raises for postal workers and increases in farm support programs. That explains why personal income shot up in April but fell in May. Still overall gains in income have supported moderate increases in consumer spending, despite some decline in buying on credit.

Consumer credit demand is falling despite lower interest rates. And for a good reason. A good portion of this money is in the form of revolving credit—where the interest rate is fixed. Revolving-credit use increased at a 31% annual rate in February and March but slowed to 25% in April. But, consumers have not simply switched to other forms of debt where the interest rates are on the way down. For example, the change in auto loans was fairly steady over these three months. The Consumer sector is already heavily in debt. Households may simply be trying to limit their credit demand. That's to be expected if, as they are telling consumer pollsters, they are a little uneasy about where the economy is headed.

It is not clear that consumer attempts to curb credit demand has begun to impact their spending—especially on the big-ticket durable items. To be sure, retail sales of furniture, appliances and cars were off sharply in June. Hardware and department stores reported smaller declines in sales volume. But, all of these declines come on the heels of big increases in April and May. Overall, retail sales, adjusted for inflation, were 5.5% higher, annual rate, in June than 3 months earlier. And sales of durable goods were up at an 11.5% rate. A case could be made that consumers are still buying but only if they have the cash on hand.

Ken Goldstein, Editor

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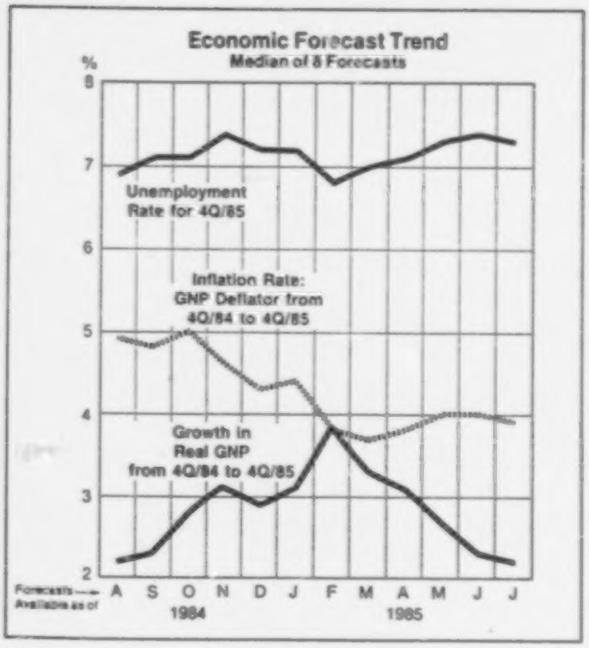


Declining consumer demand is not troubling domestic car makers. Rising imports, especially now that the restrictions have been lifted, are a different matter. New, domestic **Automobile Sales** had been in a range of 8 to 9 million, at an annual rate, in the first 5 months of 1985, but slowed to only a 7.7 million rate in June. Sales of imports, on the other hand, have climbed from about a 2½ million rate to almost 3 million in the last 2 months. Given higher domestic production in the second quarter, and renewed market penetration of imports, the inventory of unsold domestic cars, which had been declining for 3 months, inched back up in June.

Inventory piled up in the first quarter but was apparently worked off, to some extent, in the second. Sales of imports are frequently cited as depressing sales of domestic, durable goods. The inventory buildup, however, was more pronounced in nondurable goods. Supply simply exceeded demand. It's a good sign, then, that nondurable inventory, especially at the retail level, was rising more slowly than sales in the last 3 months. Overall, the inventory/sales ratios, which remain at historically low levels, were inching lower in April and May.

SUPPLY SIDE: Production remains flat and operating rates continue to slide. Productivity gains have been disappointingly low. Rising costs, then, together with an inability to raise prices, have been reducing profit margins. Although the attitudes of top business leaders fell, their investment plans remain strong.

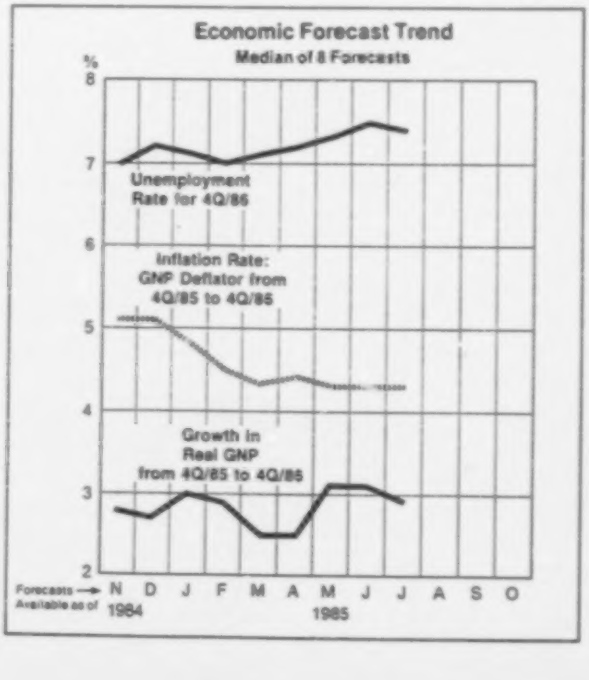
Slow-growing consumer demand, market penetration of imports and inventory buildup limited gains in industrial production in the first half of 1985. But, business has been adding to capacity so operating rates have been inching down. The only part of this picture to change recently was the slower pace of inventory accumulation.

Lackluster conditions on the economy's supply side have eroded business leaders' confidence severely. The Conference Board's **Measure of Business Confidence** fell all the way to 52 (on a scale of 0-to-100) in the second quarter of 1985. That low reading hasn't been seen since the second quarter of 1982, when the economy was mired in recession. Lower confidence of executives in mining or manufacturing is not headline news. Lower confidence among bank and finance executives, conversely, reflects worry that persistant weak conditions in goods-producing industries may begin to retard growth in other sectors.

Despite their near-term concerns, top executives continue to plan for modernizing and expanding productive facilities. Respondents to The Conference Board's **Business Executives' Expectations** survey reported no major revisions of their 1985-1986 capital spending programs. They are, apparently, counting on efficient, low-cost facilities to compete in a marketplace not dominated by a superstrong dollar. Without the high dollar, production gains would now be more in line with the rise in domestic demand.

Is the long awaited decline in the dollar finally underway. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 130.4 (1980-1982 = 100) in June—or 30.4% higher than its base-period value. That means the dollar has recovered from the surprisingly strong appreciation earlier this year. It was no higher at midyear than at the beginning of 1985.

Ken Goldstein
July 16, 1985

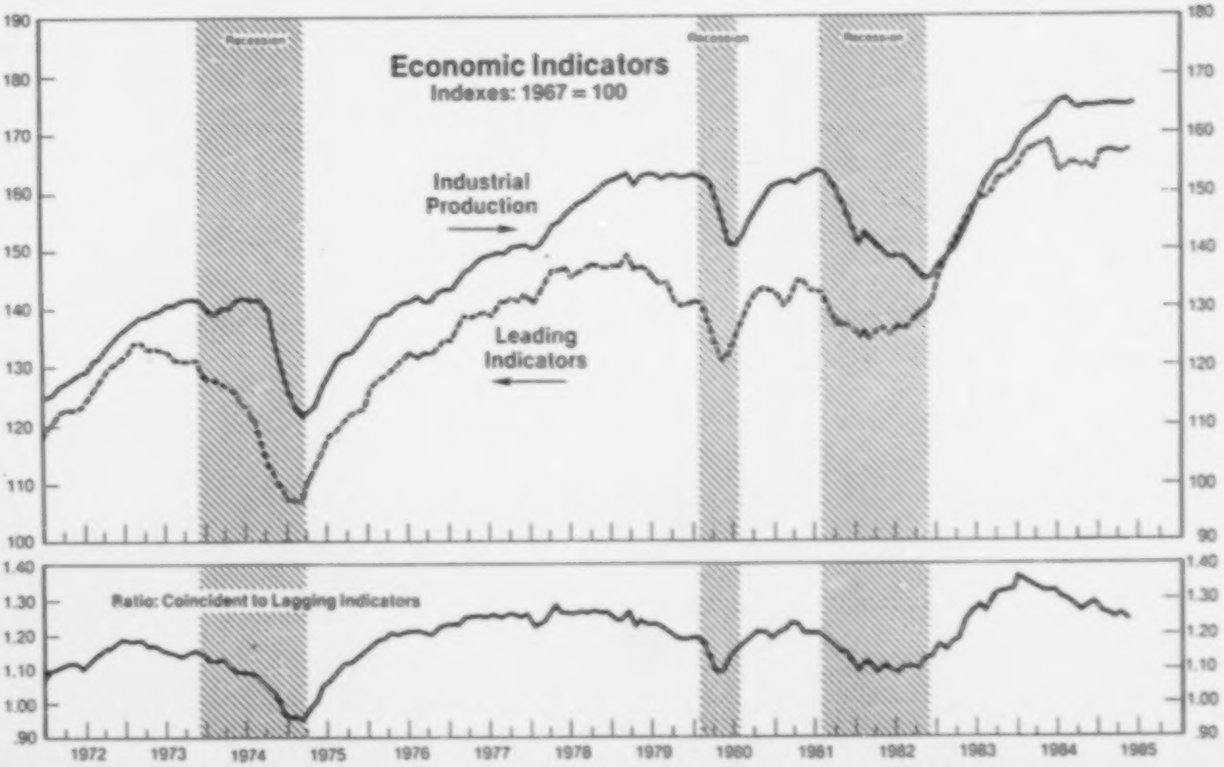


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May		X		+ 0.1%	− 0.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May			X	−20.9%	−12.4%
New orders, nondefense capital goods (deflated)	May			X	−23.3%	−12.8%
*New business formation	May			X	− 5.5%	− 3.0%
*Housing permits	May	X			+ 9.5%	+ 0.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May		X		− 0.2%	+ 0.9%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 6.7%	−25.5%
Purchasing agents' buying policy	June		X		− 1.0%	− 6.0%
*Vendor performance, reported slower deliveries	May			X	− 4.0%	−26.0%
Industrial raw materials prices	June			X	− 3.4%	−14.8%
*Change in sensitive material prices	May	X			+ 0.6%	− 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May		X		− 0.1%	+ 4.6%
Change in business loans	May	X			+17.4%	−43.2%
*Change in credit outstanding	Apr.		X		− 2.3%	− 8.4%
Change in consumer installment debt	Apr.		X		+12.6%	+17.7%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	− 4.0%	−12.1%
*Common stock prices	June	X			+ 4.9%	+22.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	June		X		0hr	− 0.2hr
*Initial unemployment claims (inverted)	May		X		+ 4.7%	−10.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



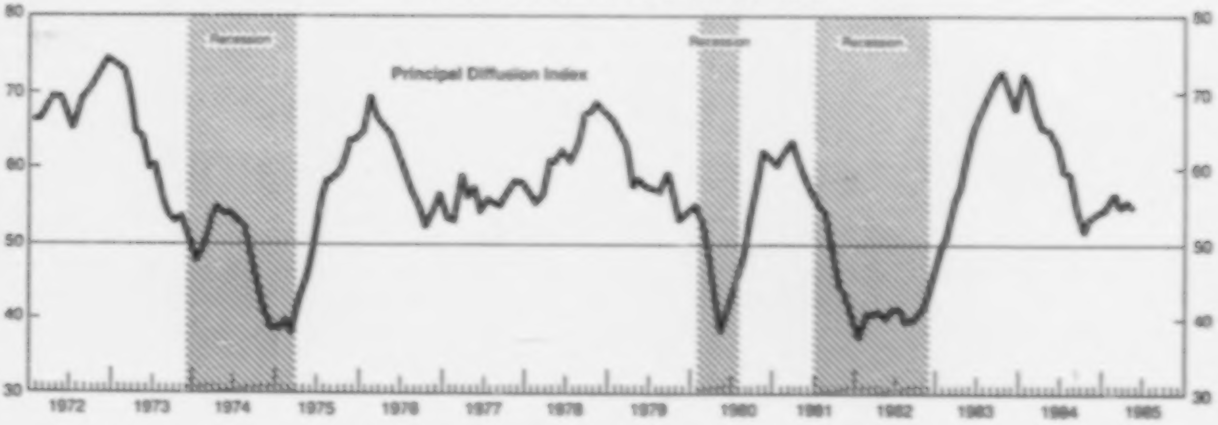
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984	1985			
	May	Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	65.0	56.4r	55.4r	55.8r	55.1
Auxillary Diffusion Index	45.0	53.6r	46.7r	51.5r	47.8
Industrial Group	62.2	50.3r	52.8r	50.3r	53.2
Nonindustrial Group	67.8	62.4	57.9	61.3	57.1
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	56.2	49.1	51.5	48.7r	51.1
Labor	62.4	55.5r	58.5r	54.5r	58.3
Miscellaneous	70.5	39.1	40.4	42.3	43.6
Nonindustrial Subgroups					
Prices	66.7	40.4	33.3	42.9	44.9
Consumer	82.9	85.0	78.2	76.5r	70.1
Building	66.7	63.5	69.2	74.4	64.1
Miscellaneous	54.3	53.8	46.6	49.6r	47.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982	*1983*				*1984*				*1985*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	60	70	76	75	74	70	65	61	57	61	52
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	65	76	82	80	76	75	70	57	62	48
2. Expectations for Economy, Six Months Ahead	70	76	78	74	73	67	60	57	57	61	53
3. Expectations for Own Industry, Six Months Ahead	65	70	72	69	70	67	61	57	58	61	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983		1984				1985	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	22.785	24.262	26.816	37.154	27.592	29.190	30.506	32	3
Capital expenditures	18.244	19.560	19.905	21.808	22.924	24.875	23.346	19	17
Change in appropriations backlog*	+1.988	+0.928	+5.152	+13.867	+3.386	+1.748	+5.522		
Durable Goods									
New appropriations	9.119	11.024	13.662	21.216	12.617	14.938	17.269	59	22
Capital expenditures	7.667	8.727	8.714	10.033	11.031	12.463	11.296	33	14
Change in appropriations backlog*	+1.466	+0.819	+4.057	+10.843	+1.303	+1.100	+4.895		
Nondurable Goods									
New appropriations	13.666	13.238	13.154	15.938	14.975	14.252	13.237	12	17
Capital expenditures	10.577	10.833	11.191	11.775	11.893	12.412	12.050	9	19
Change in appropriations backlog*	+0.522	+0.109	+1.095	+3.024	+2.083	+0.648	+0.627		
ELECTRIC & GAS UTILITIES									
New appropriations	5.752	6.561	5.090	7.843	9.675	11.372	8.851	26	
Capital expenditures	8.922	8.676	8.737	8.859	9.019	9.170	8.653	1	
Change in appropriations backlog*	-4.321	-4.415	-6.109	-2.971	-1.526	-3.134	0.077		

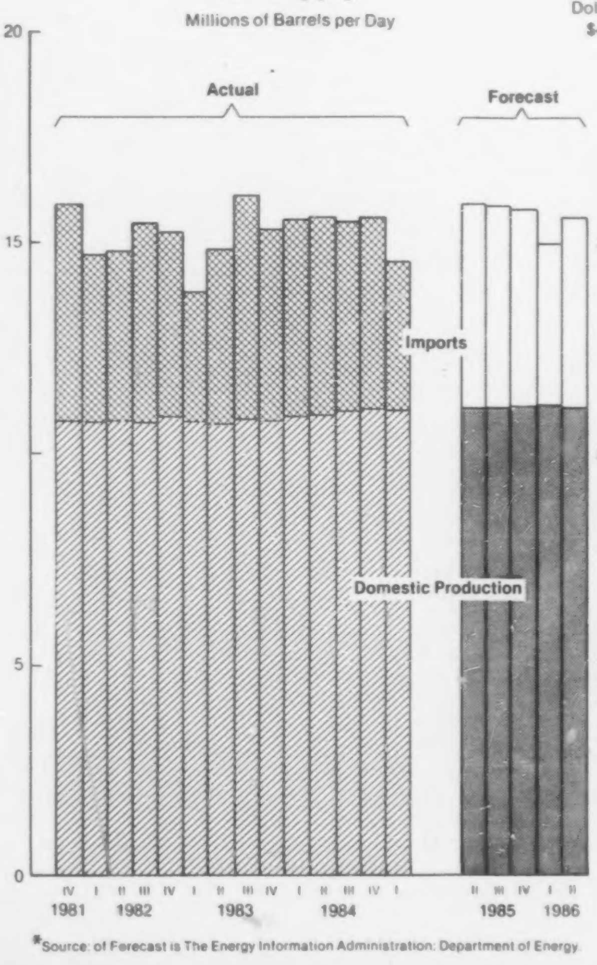
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

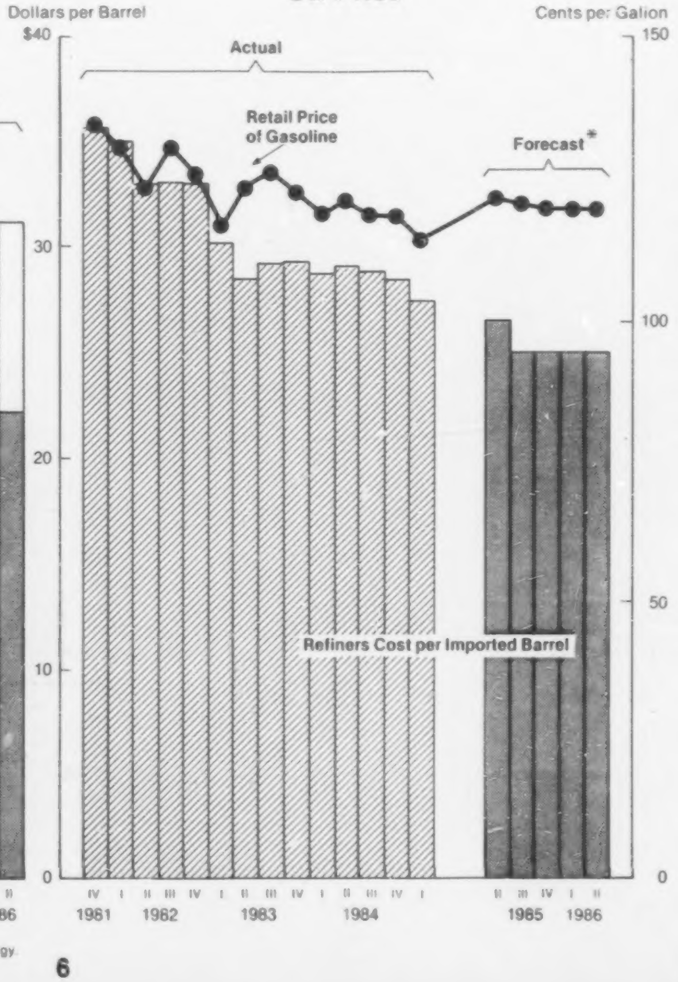
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments)

** Results based on survey respondents' expectations.

Oil Supply



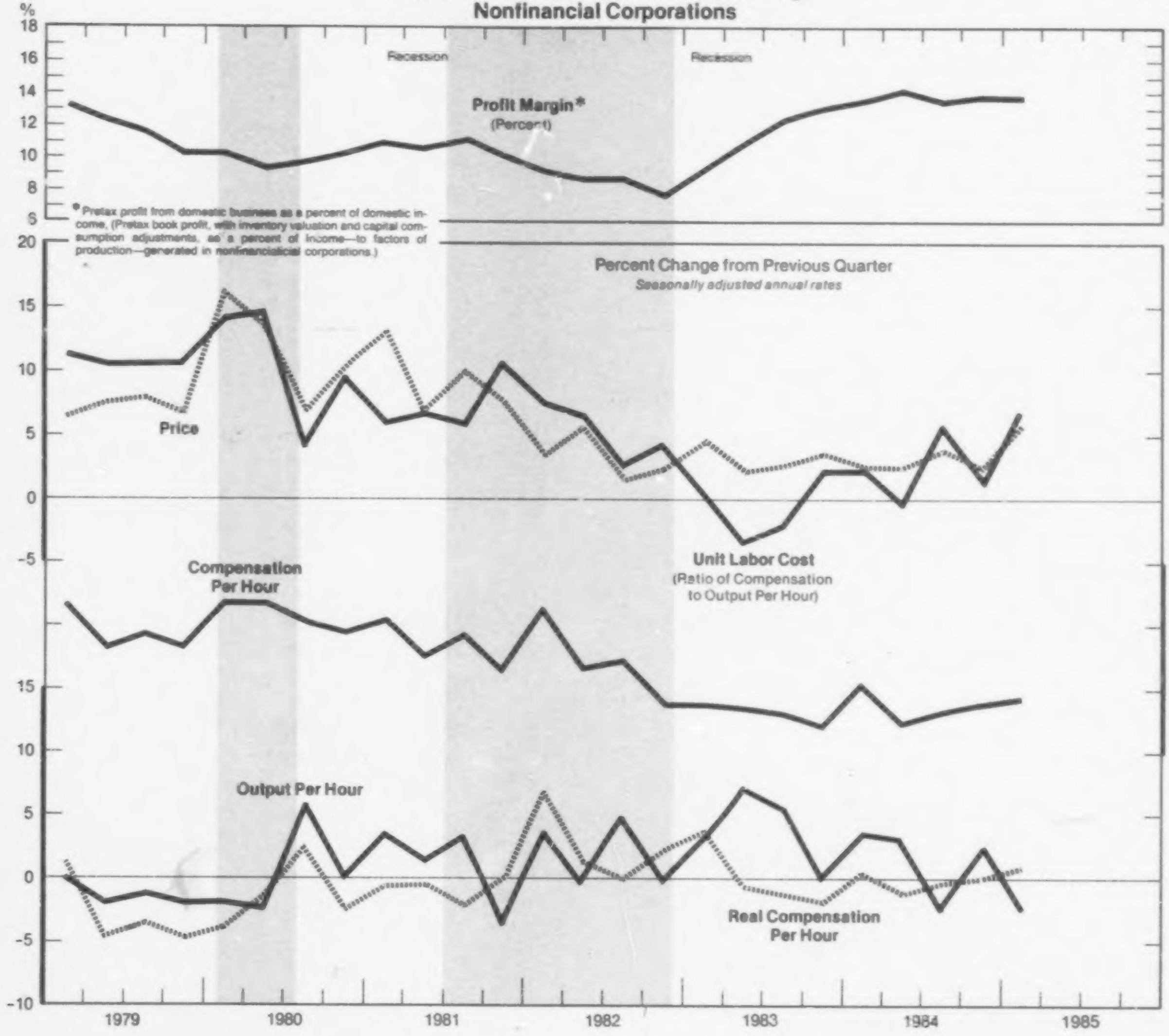
Oil Price



*Source: of Forecast is The Energy Information Administration: Department of Energy.

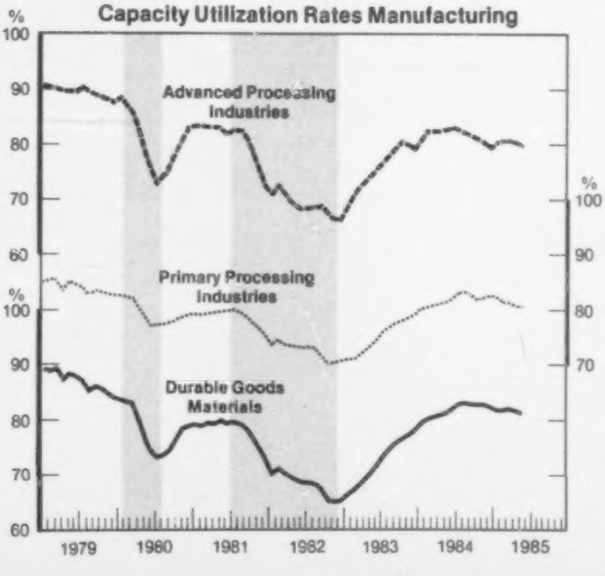
Key Determinants of Profit Margin

Nonfinancial Corporations

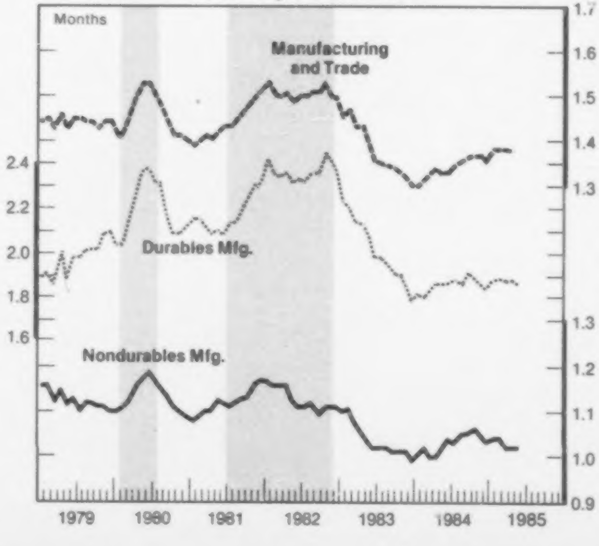


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialcial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting[1] Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*May, 1985*		*June, 1985*		*June, 1985*		*June, 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**I**			**$3810.6**	**5.6%**	**$3810.6**	**5.6%**	**$3810.6**	**5.6%**
		II	$3882.3	7.0%	3863.7	5.7	3854.0	4.6	3877.4	7.2
		III	3952.0	7.4	3932.7	7.3	3893.8	4.2	3951.9	7.9
		IV	4024.0	7.5	3994.1	6.4	3964.0	7.4	4016.3	6.7
	1986	I	4091.0	6.8	4064.4	7.2	4044.2	8.3	4098.5	8.4
		II	4160.8	7.0	4144.5	8.1	4129.9	8.7	4146.9	4.8
		III	4245.2	8.4	4222.2	7.7	4204.5	7.4	4203.6	5.6
		IV	4335.8	8.8	4307.5	8.3	4282.2	7.6	4229.7	2.5
	1987	I	4432.9	9.3			4349.3	6.4		
		II	4523.3	8.4			4435.7	8.2		
	1985	Annual	3918.9	7.0	3900.3	6.5	3880.6	5.9	3914.1	6.9
	1986	Annual	4208.2	7.4	4184.7	7.3	4165.2	7.3	4169.7	6.5
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**I**			**$1663.5**	**.3%**	**$1663.5**	**.3%**	**$1663.5**	**.3%**
		II	$1682.6	4.2%	1674.0	2.5	1672.0	2.1	1677.2	3.3
		III	1699.9	4.2	1687.0	3.1	1682.0	2.4	1696.1	4.6
		IV	1714.6	3.5	1696.8	2.3	1694.0	2.9	1707.3	2.7
	1986	I	1725.8	2.6	1708.2	2.7	1710.0	3.8	1719.4	2.9
		II	1738.6	3.0	1723.3	3.6	1728.0	4.3	1727.1	1.8
		III	1755.6	4.0	1737.1	3.2	1741.0	3.0	1726.9	
		IV	1773.3	4.1	1753.0	3.7	1755.0	3.3	1717.8	-2.1
	1987	I	1791.4	4.1			1768.0	3.0		
		II	1808.6	3.9			1785.0	3.9		
	1985	Annual	1690.6	3.1	1680.3	2.5	1677.9	2.4	1686.0	2.8
	1986	Annual	1748.3	3.4	1730.4	3.0	1733.5	3.3	1722.8	2.2
Gross National Product deflator Index, 1972 = 100										
Actual	**1985**	**I**			**229.1**	**5.4%**	**229.1**	**5.4%**	**229.1**	**5.4%**
		II	230.7	2.7%	230.8	3.1	230.5	2.5	231.2	3.7
		III	232.5	3.1	233.1	4.1	231.5	1.7	233.0	3.2
		IV	234.7	3.8	235.4	4.0	234.0	4.4	235.2	3.9
	1986	I	237.0	4.1	237.9	4.4	236.5	4.3	238.4	5.4
		II	239.3	3.9	240.5	4.4	239.0	4.3	240.1	3.0
		III	241.8	4.2	243.1	4.3	241.5	4.3	243.4	5.6
		IV	244.5	4.5	245.7	4.5	244.0	4.2	246.2	4.7
	1987	I	247.5	4.9			246.0	3.3		
		II	250.1	4.3			248.5	4.1		
	1985	Annual	231.8	3.7	232.1	3.9	231.3	3.5	232.1	3.9
	1986	Annual	240.7	3.8	241.8	4.2	240.3	3.9	242.0	4.3
Unemployment Rate										
Actual	**1985**	**I**		**7.3%**		**7.3%**		**7.3%**		**7.3%**
		II		7.3		7.3		7.3		7.3
		III		7.2		7.4		7.3		7.2
		IV		7.2		7.5		7.3		7.2
	1986	I		7.2		7.5		7.3		7.1
		II		7.3		7.5		7.2		7.2
		III		7.2		7.3		7.1		7.3
		IV		7.2		7.2		6.9		7.5
	1987	I		7.1				6.8		
		II		6.9				6.8		
	1985	Annual		7.3		7.4		7.3		7.3
	1986	Annual		7.2		7.4		7.1		7.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) first quarter data.

[2] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

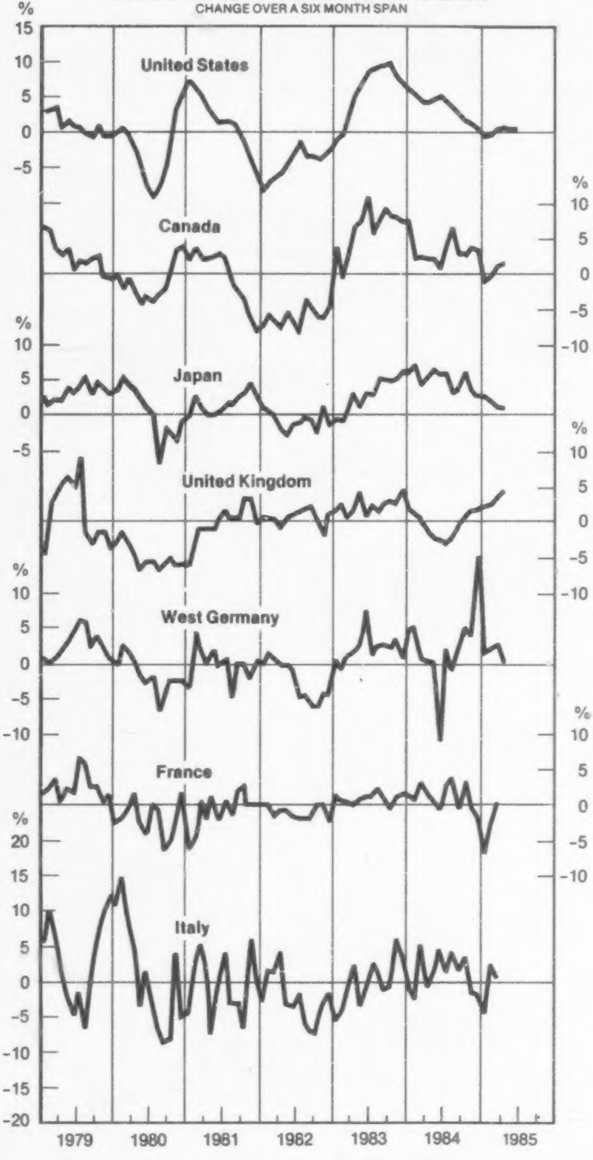
The Conference Board[2]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
June, 1985		*June, 1985*		*June, 1985*		*June, 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3810.6	**5.6%**	**$3810.6**	**5.6%**	**$3810.6**	**5.6%**	**$3810.6**	**5.6%**	**I**	**1985**	**Actual**
3867.0	6.1	3867.4	6.1	3868.3	6.2	3872.9	6.7	II		
3918.0	5.4	3935.6	7.2	3921.1	5.6	3946.8	7.9	III		
3956.0	3.9	4003.5	7.1	3974.5	5.6	4017.3	7.3	IV		
4012.0	5.8	4061.8	6.0	4023.6	5.0	4089.4	7.4	I	1986	
4099.0	9.0	4117.0	5.5	4078.7	5.6	4157.8	6.9	II		
4187.0	8.9	4198.0	8.1	4146.0	6.8	4227.4	6.9	III		
4271.0	8.3	4280.6	8.1	4226.5	8.0	4307.6	7.8	IV		
		4375.5	9.2	4319.0	9.0	4399.7	8.8	I	1987	
		4461.9	8.1	4406.7	8.4	4490.5	8.5	II		
3887.9	6.1	3904.3	6.6	3893.6	6.3	3911.9	6.8	Annual	1985	
4142.3	6.5	4164.4	6.7	4118.7	5.8	4195.6	7.3	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1663.5	**.3%**	**$1663.5**	**.3%**	**$1663.5**	**.3%**	**$1663.5**	**.3%**	**I**	**1985**	**Actual**
1674.8	2.7	1675.0	2.8	1676.8	3.2	1675.7	3.0	II		
1684.4	2.3	1687.0	2.9	1688.2	2.7	1690.8	3.7	III		
1689.0	1.1	1700.5	3.2	1696.5	2.0	1702.9	2.9	IV		
1700.3	2.7	1704.4	.9	1703.0	1.5	1712.1	2.2	I	1986	
1720.2	4.8	1708.7	1.0	1711.3	2.0	1721.0	2.1	II		
1737.5	4.1	1723.9	3.6	1723.5	2.9	1731.0	2.3	III		
1751.7	3.3	1739.2	3.6	1739.6	3.8	1743.9	3.0	IV		
		1756.1	3.9	1757.1	4.1	1758.7	3.4	I	1987	
		1770.6	3.3	1772.9	3.6	1774.5	3.6	II		
1677.9	2.4	1681.5	2.6	1681.3	2.6	1683.2	2.7	Annual	1985	
1727.4	3.0	1719.1	2.2	1719.4	2.3	1727.0	2.6	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
$ 229.1	**5.4%**	**229.1**	**5.4%**	**229.1**	**5.4%**	**229.1**	**5.4%**	**I**	**1985**	**Actual**
230.9	3.2	230.9	3.2	230.7	2.9	231.1	3.6	II		
232.6	3.0	233.3	4.2	232.3	2.7	233.4	4.1	III		
234.2	2.8	235.4	3.7	234.3	3.5	235.9	4.3	IV		
236.0	3.0	238.3	5.0	236.3	3.4	238.9	5.1	I	1986	
238.3	4.0	240.9	4.5	238.3	3.6	241.6	4.7	II		
241.0	4.6	243.5	4.3	240.6	3.8	244.2	4.4	III		
243.8	4.8	246.1	4.4	243.0	4.1	247.0	4.7	IV		
		249.2	5.0	245.8	4.8	250.2	5.2	I	1987	
		252.0	4.6	248.6	4.6	253.1	4.7	II		
231.7	3.7	232.2	3.9	231.6	3.7	232.4	4.0	Annual	1985	
239.8	3.5	242.2	4.3	239.5	3.4	242.9	4.5	Annual	1986	
								Unemployment Rate		
	7.3%		**7.3%**		**7.3%**		**7.3%**	**I**	**1985**	**Actual**
	7.3		7.2		7.3		7.3	II		
	7.4		7.2		7.3		7.1	III		
	7.6		7.3		7.4		7.2	IV		
	7.7		7.5		7.5		7.3	I	1986	
	7.5		7.7		7.6		7.3	II		
	7.3		7.7		7.7		7.4	III		
	7.3		7.7		7.7		7.4	IV		
			7.5		7.7		7.4	I	1987	
			7.3		7.6		7.3	II		
	7.4		7.3		7.3		7.2	Annual	1985	
	7.5		7.7		7.6		7.3	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

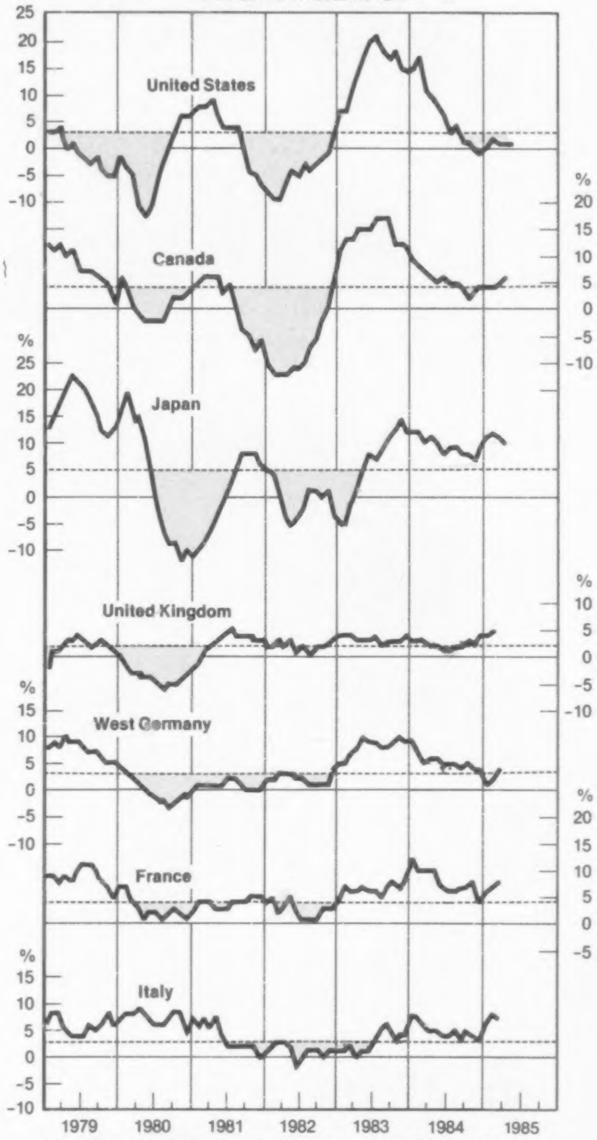
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



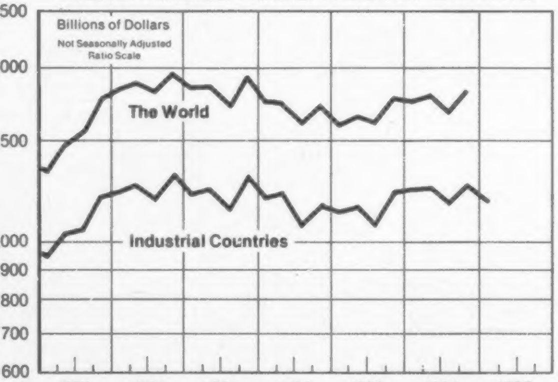
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

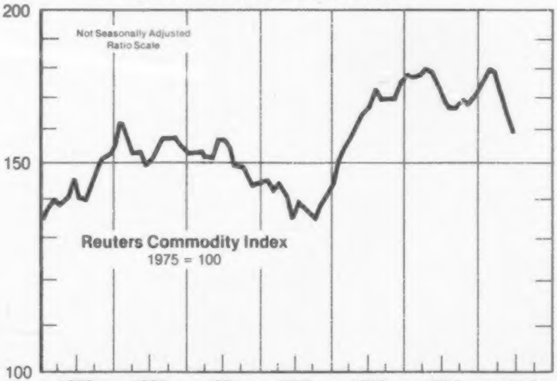


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

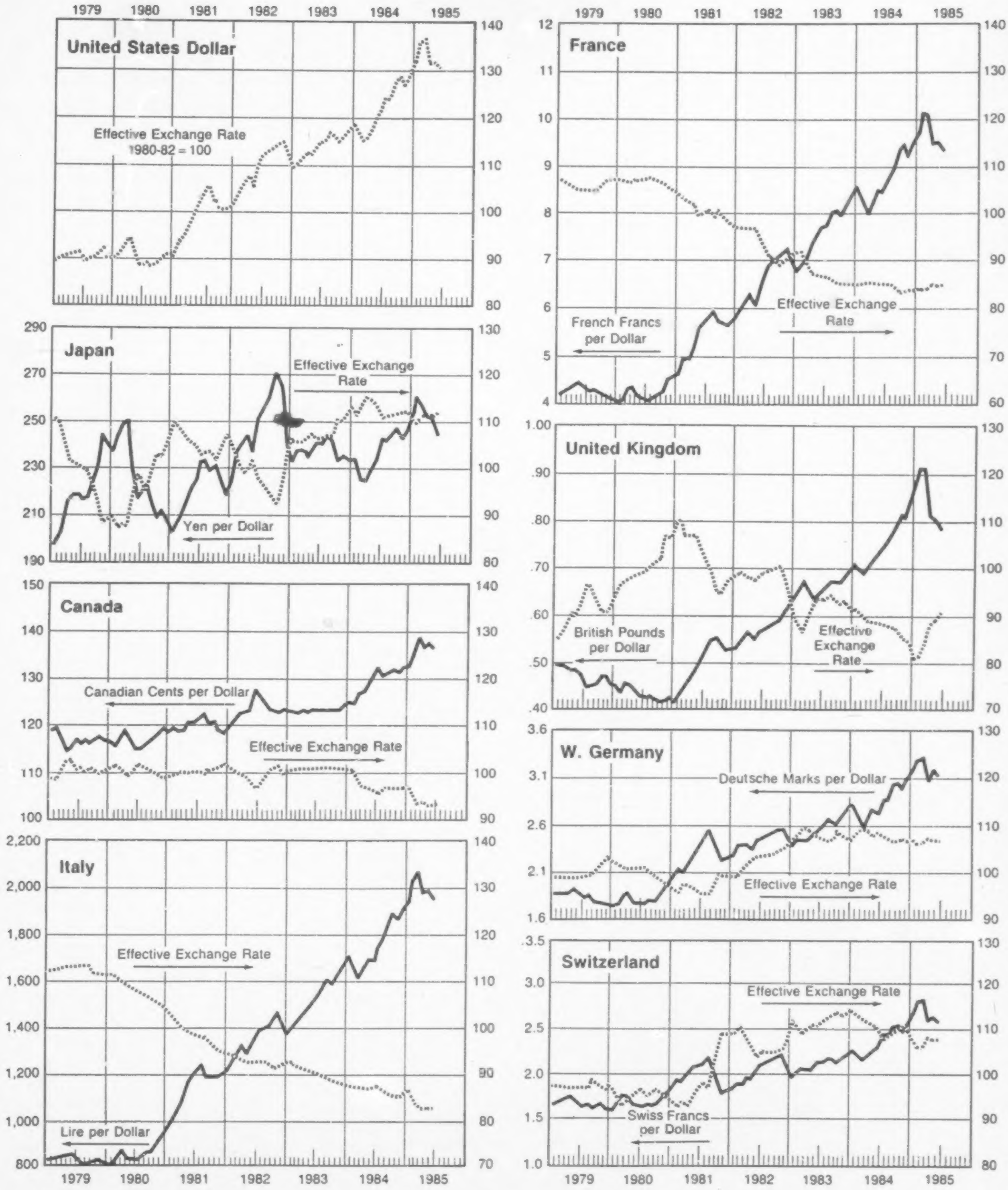


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



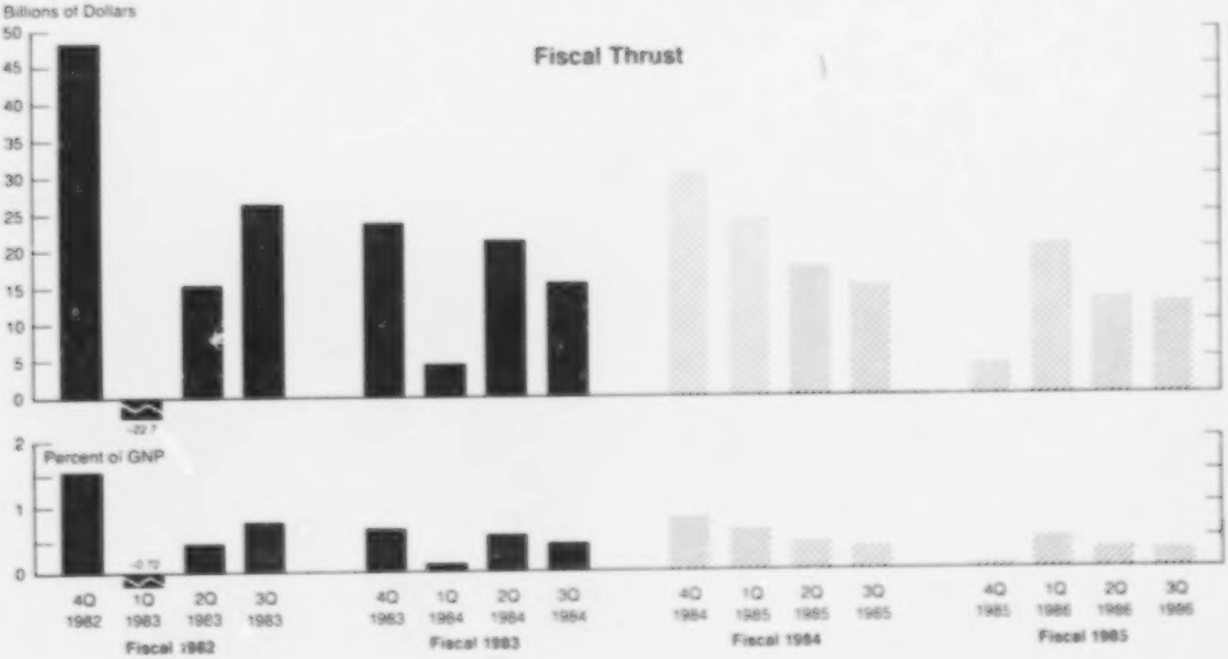
Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

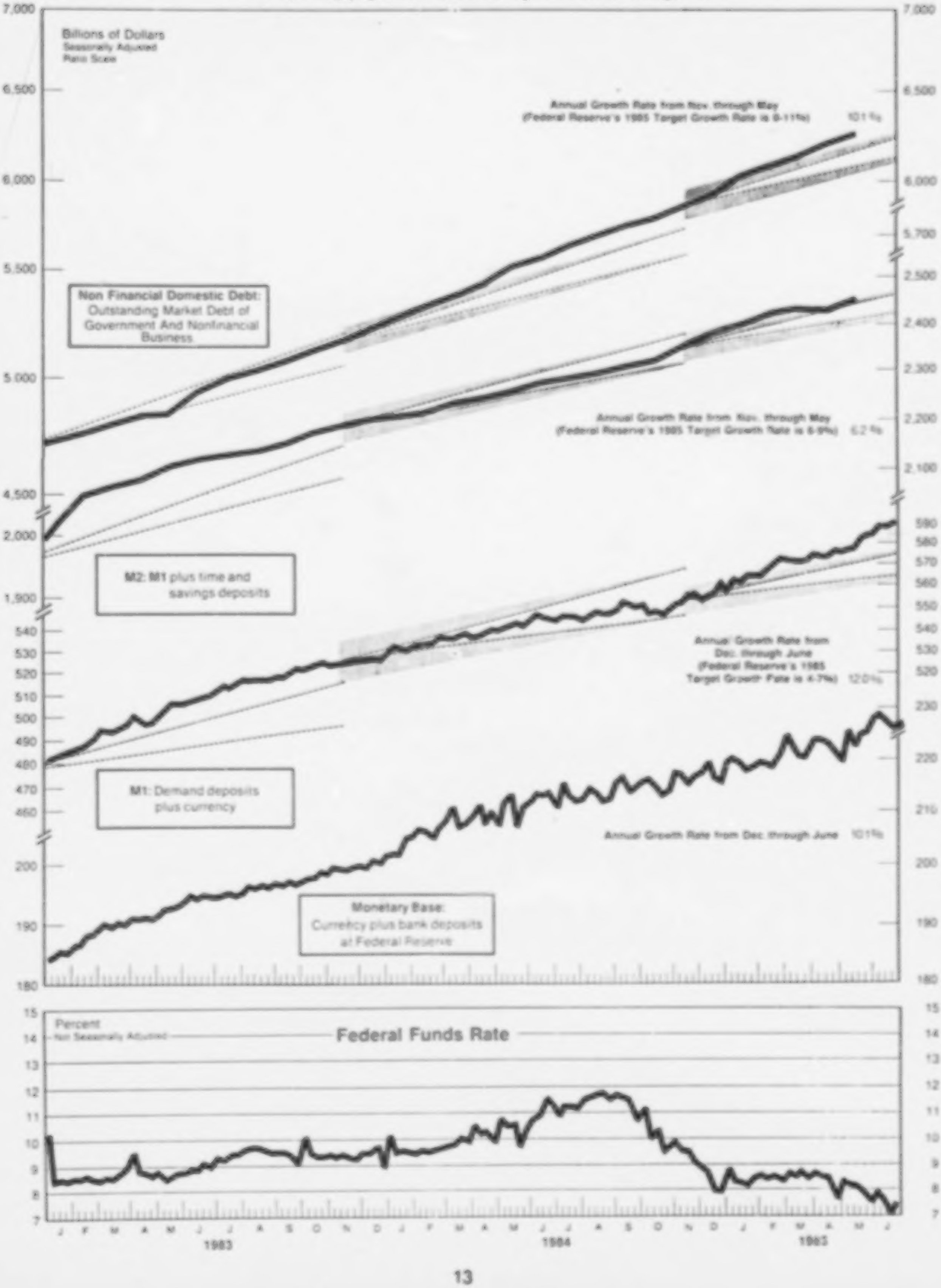
	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Senate	House	Senate	House	Senate	House
	(5/9/85)	(5/16/85)	(5/9/85)	(5/16/85)	(5/9/85)	(5/16/85)
Receipts	**793.6**	**794.1**	**866.3**	**866.0**	**955.9**	**955.6**
Outlays	**965.0**	**967.3**	**1,011.1**	**1,028.5**	**1,060.2**	**1,080.0**
Deficit	**-171.4**	**-173.2**	**-144.8**	**-162.5**	**-104.3**	**-124.4**
Receipts by source	**793.6**	**794.1**	**866.3**	**866.0**	**955.9**	**955.6**
Individual income taxes	364.5	364.5	398.3	398.3	438.0	438.0
Corporate income taxes	72.3	72.3	89.3	89.3	103.2	103.2
Social insurance	285.4	285.4	306.1	306.1	342.9	342.9
Other receipts	71.4	71.9	72.6	72.3	71.8	71.5
Outlays by function	**965.0**	**967.3**	**1,011.1**	**1,028.5**	**1,060.2**	**1,080.0**
National defense	273.1	267.1	292.1	285.2	313.0	303.9
Social security and medicare	263.2	269.1	280.7	289.7	302.7	312.9
Income security	116.6	121.8	120.6	127.8	125.7	133.9
Health	35.3	35.6	37.8	38.3	40.3	40.8
Education and manpower	30.3	31.2	29.9	32.1	30.4	32.9
Transportation	26.1	26.5	27.7	28.9	27.4	29.5
Veterans' benefits	26.1	26.8	26.2	27.4	26.7	27.8
International affairs	17.8	18.6	17.1	16.9	16.7	16.2
Agriculture	14.5	15.8	15.8	16.9	12.9	15.0
National resources and environment	12.5	13.0	12.4	12.8	12.5	13.2
General science	9.0	8.9	8.8	8.9	9.0	8.9
Community development	7.9	8.2	7.1	8.1	6.7	7.9
Justice	6.7	6.8	6.9	7.0	7.0	7.2
Commerce and housing credit	3.4	4.6	2.3	5.0	5.1	6.7
General government	5.2	5.3	5.2	5.2	5.5	5.5
Energy	5.1	5.6	4.6	5.4	4.2	4.7
Revenue sharing	6.5	5.7	3.2	2.9	2.1	2.1
Interest	142.3	140.9	152.1	150.9	153.9	153.9
Allowances	-1.6	-4.4	-1.6	-4.3	-0.5	-3.2
Undistributed offsetting receipts	-35.0	-39.8	-37.8	-36.6	-41.1	-39.8

Note: These estimates are from the first budget resolution. A joint conference is currently reconciling the differences between the Senate and House versions. A new budget resolution should be reported by July.



Note: [illegible]

Money Supply and Monetary Growth Targets



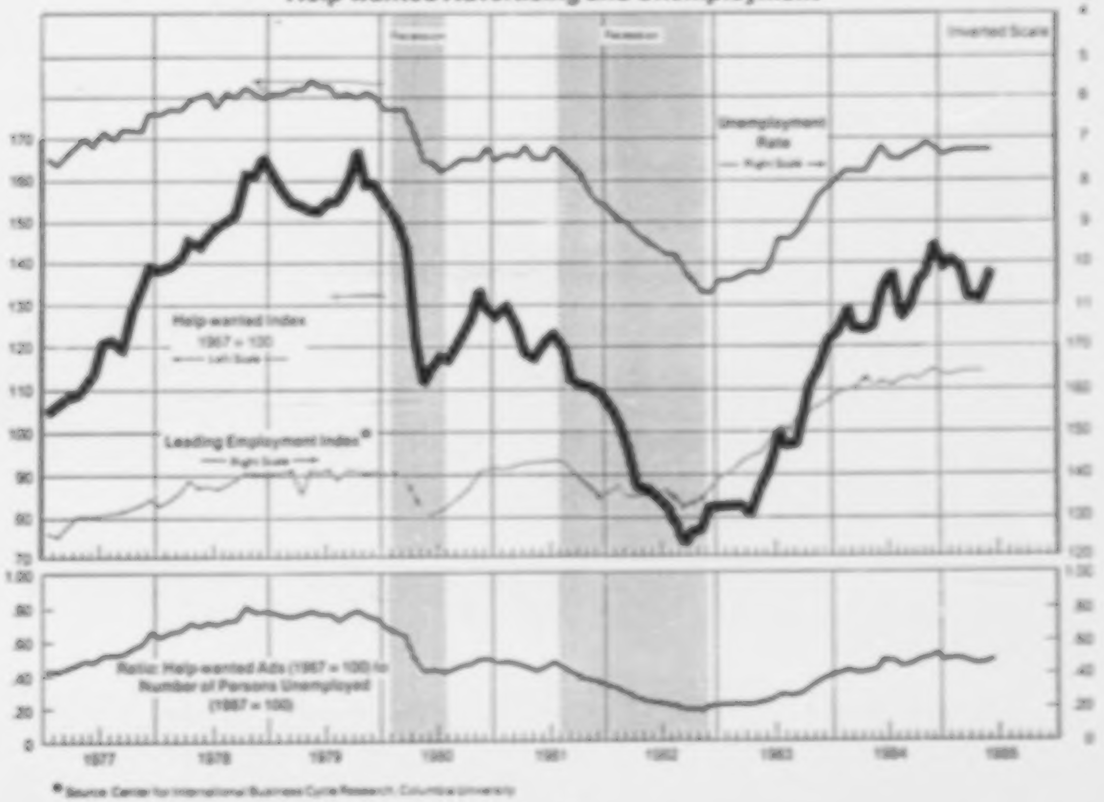
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 May	1985 Apr.	1985 Mar.	1984 May
National Index	131	131	138	125
New England	145	149	153	141
Boston	160	161	171	159
Hartford	132	151	137	136
Providence	102	103	106	84
Middle Atlantic	63	62	66	58
Albany	155	149	144	123
Allentown	144	174	157	121
New York	53	53	53	53
Philadelphia	52	49	60	49
Pittsburgh	64	61	72	52
Rochester	78	79	81	63
Syracuse	104	97	103	85
East North Central	85	83	88	72r
Chicago	96	94	98	92
Cincinnati	124	101	132	87
Cleveland	56	58	64	46r
Columbus	121	130	137	91
Dayton	79	79	80	59
Detroit	63	64	65	52
Gary	110	87	101	89
Indianapolis	88	85	88	78
Milwaukee	49	50	54	43
Toledo	108	112	109	83
West North Central	82	84	91	75
Kansas City	111	117	123	97
Minneapolis	73	75	81	70
Omaha	114	120	128	109
St. Louis	64	64	72	57
South Atlantic	163	157r	175	146
Atlanta	276	271	299	258
Baltimore	141	111	124	104
Charlotte	130	139	159	131
Jacksonville	210	192	205	191
Miami	73	74r	89	77r
Richmond	120	119	128	96
Washington, D.C.	158	162	181	142
East South Central	137	143	138	116
Birmingham	141	138	134	126
Knoxville	204	207	227	182
Louisville	89	77	94	85
Memphis	109	108	105	104
Nashville	181	231	178	142
West South Central	236	235	251	282
Dallas	322	322	352	412
Houston	284	280	300	336
New Orleans	103	104	113	141
Oklahoma City	142	140	141	150
San Antonio	213	211	220	210
Tulsa	146	149	148	146
Mountain	315	314	326	296
Denver	194	212	239	194
Phoenix	471	475	476	416
Salt Lake City	326	267	284	326
Pacific	189	194	203	184
Los Angeles	136	143	157	144
Sacramento	355	342	341	289
San Bernadino	172	221	197	143
San Diego	422	435	443	366
San Francisco	199	193	205	200
Seattle	179	175	184	183
Percentage of papers with rising volume	43	22	53	47
Unemployment rate	7.3	7.3	7.3	7.5

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

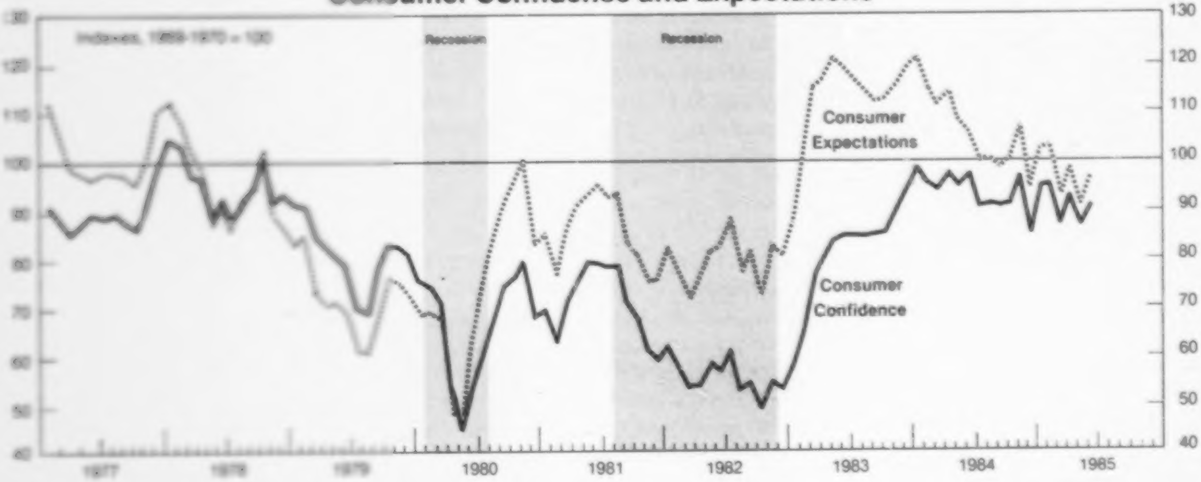
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2r	91.5p						
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8r	107.9p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

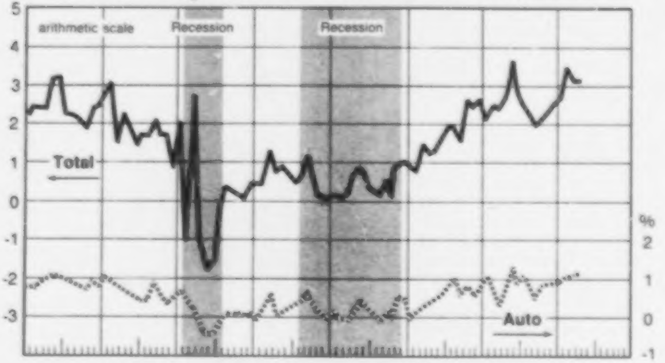
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	721.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

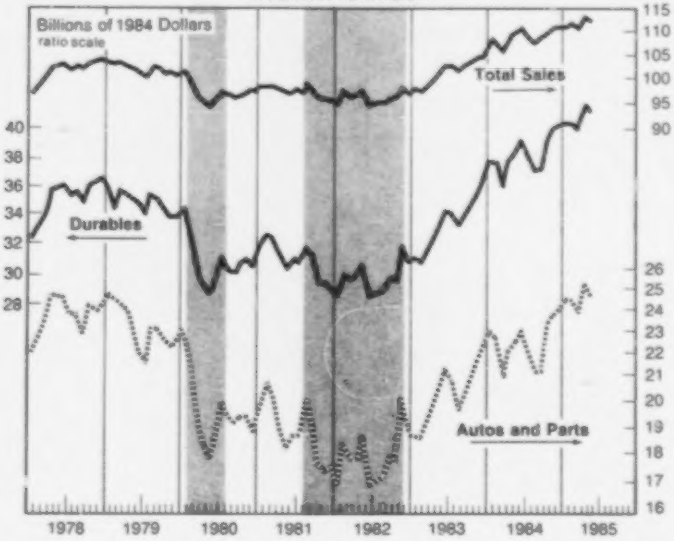
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



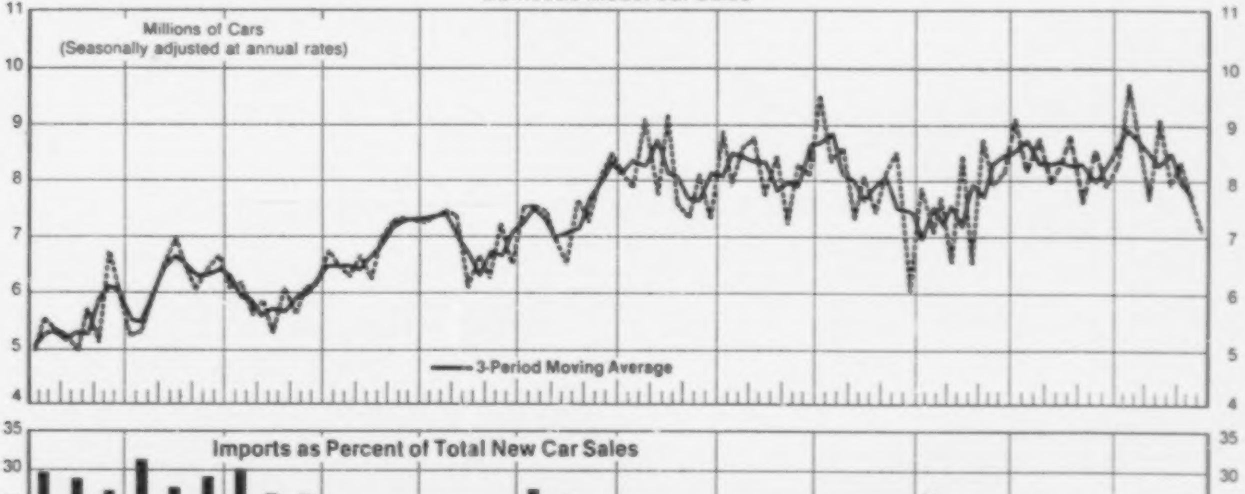
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

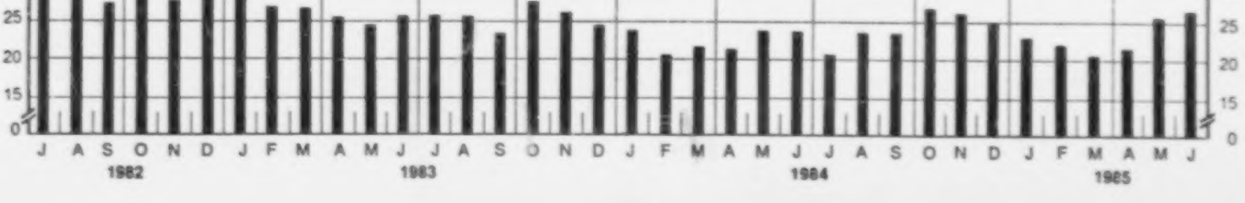
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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Bethesda, MD 20814

STATISTICAL BULLETIN

Volume 18, No. 8, August, 1985

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The Conference Board

COMMENT

- * MEASURED ECONOMIC GROWTH MARKS THE SUMMER MONTHS
- * DEMAND STILL GROWING MODERATELY
- * OUTPUT GROWTH IS SLUGGISH
- * BUSINESS SALES PLUMMET, SO INVENTORY PILES UP
- * BUT, NEW ORDERS ARE STARTING TO TURN AROUND
- * THE DOLLAR FALLS
- * OUTLOOK * SECOND HALF PACE WON'T BE AS SLOW AS IN THE FIRST HALF

OVERVIEW: The latest evidence still shows moderate growth in demand but sluggish output gains. A strengthening in the ordering rate, however, may add some vigor to the troubled industrial sector. In fact, the Administration, Federal Reserve and most private **Economic Forecasts** are indicating that the pace of activity will quicken in the second half of this year. That opinion is not readily confirmed in either the business community or business statistics. The numbers show that the rise in total hours worked has slowed a bit. Operating rates are still low. Exports remain flat while importing was a little faster in June. Business sales fell sharply that month, resulting in a rise in inventory.

DOMESTIC MARKET MONITOR

The interesting labor-market development in July is not that unemployment stayed at 7.3% for the 6th month. Rather, it is that employment in goods-producing industries (about one-quarter of total, nonagricultural employment), did not decline for the 3rd month in a row. Nondurable jobs were up a little—mainly due to gains in textiles and apparel. Durable jobs fell again despite slim increases in lumber, furniture and stone, clay and glass. Construction employment recovered to its level of 2 months earlier. Mining remains depressed. Slight gains in a few industries for 1 month are not enough evidence to claim that job loss in goods production is bottoming out this Summer. It will be interesting to see if the August numbers help support that claim.

Employment gains were offset by a drop in hours worked. Total hours worked in manufacturing were virtually unchanged in July. Nonmanufacturing hours fell 0.4 percent. Total nonagricultural hours worked rose at a 2.8% annual rate in the second quarter. That's a little slower than the 3.3% in the first quarter. Further, the rise in hours in the second quarter exceeded the 1.7% rise in real output. Yet, labor productivity in the nonfarm, business sector rose by 0.5 percent.

There are mixed signals about where the labor market is headed. Initial unemployment claims are starting to climb. That suggests that some firms are still cutting production. The **Leading Employment Index**, however, and The Conference Board's **Help-wanted Index** are rising (see the chart on page 14). June's ad volume was back up to the March level and early returns to the July survey point to some addition gain. The ad data are a more positive signal than recent unemployment data.

WAGES AND INCOMES: Hourly earnings, adjusted for inflation, rose 0.2% in June—same pace as in the prior 2 months. That gain was achieved despite declines in the goods-producing sector and in wholesale trade. Total personal income, adjusted for inflation, rose 0.5% in June. Unlike prior months, that number is relatively unaffected by tax refunds or retroactive pay increases.

There hasn't been much change recently in consumer attitudes. The Conference Board's **Consumer Confidence Index** was only marginally higher in June and July. Household expectations for the next 6 months remain cautious. Specifically, they view the current employment situation as soft and expect no strong turn around in the near-term.

Consumer demand is still rising moderately. Total consumer spending rose 0.6% in June, about the same pace as recorded all through the first half of 1985. Retail sales, however, rose by only 0.4% in July—after declining by 1.8% over the 2 prior months. Service purchases, then, remain the driving force in consumer spending.

Domestic car sales have slowed. Foreign cars are up. New, domestic **Automobile Sales**, seasonally adjusted, were at a 7.8 million annual rate in July, not much above the 7.7 million rate in June. Sales had been in an 8 to 9 million range for 6 months prior to that. Foreign cars were selling at 2.9 million in July, same pace as in May and just a bit more than the June rate. That pace is significantly faster than it was earlier this year.

HOUSING: Both sales and starts have slowed just a bit. Single-unit sales were unchanged in June and remain below the pace set back in late Winter. Inventory of unsold new, single-family homes was marginally higher in June—still lower than 2 months earlier. Single-unit starts fell in June for the 3rd month—12% cumulative decline. Permits also

Ken Goldstein, Editor

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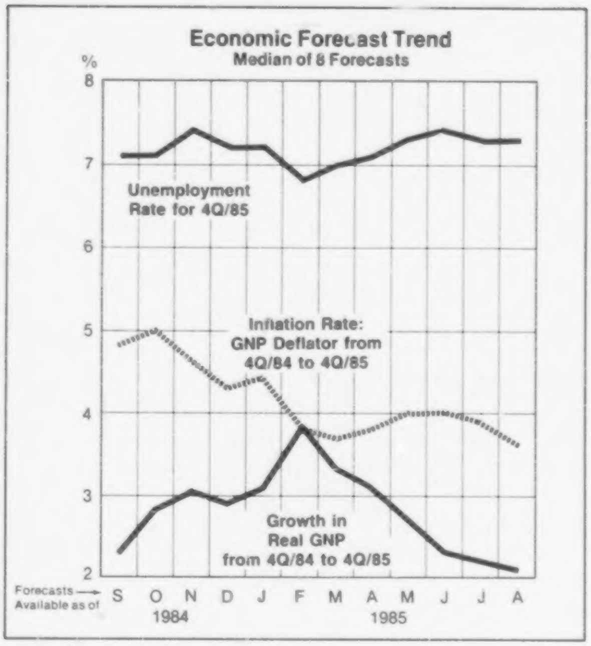


fell. Multiple-family starts rose in June but remain lower than 2 months earlier. Permits were virtually unchanged. Lower mortgage rates haven't given lift to home building or buying—as yet.

INVENTORY: A significant decrease in business sales in June—especially of durable goods at the wholesale level—resulted in a 0.4% rise in inventory. Wholesale stocks of durable goods rose 0.7% while sales plummeted by 7.5 percent. The ratio of inventory-to-sales, then climbed to 1.74—much higher than its level (1.65) 3 months earlier. Wholesale's nondurable stocks also rose sharply in June. The ratio there, however, remains below recent levels. That's true also for durable stocks at the retail level. Overall, stocks in June were still lower than 2 months earlier. Absent the unexpected drop in business sales, then, the general trend seems to be lower stocks.

Even subtracting out defense-related orders, the ordering rate appears to have quickened of late. After declining for 3 straight months, new factory orders, minus defense-related, rose 0.7% in May and 0.9% in June. Total durable orders rose 3.6% but even nondurable orders were up slightly in June. Orders for consumer goods, deflated, were marginally higher in June than 3 months earlier. Orders for nondefense, capital goods, deflated, rose a bit in the latest 2 months, following 2 big monthly declines. It will be interesting to see how much lift higher orders, especially for durables, give to production—and help bring down inventory stocks.

Production growth, while a little higher than originally estimated, remains slower than spending growth. Statisticians found that, among other things, production of computers and other business equipment was undercounted in the old figures. Revised data show that production has been rising between 0.1% and 0.2% per month all through the first half of 1985.

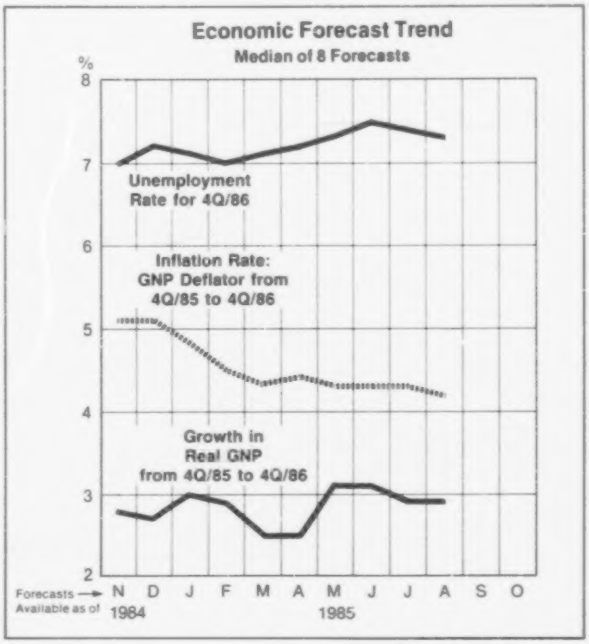
Small gains in production notwithstanding, operating rates were virtually unchanged in June. Capacity utilization for manufacturing remained unchanged despite a small rise in durable goods. Rates were a little higher for both mines and utilities.

INTERNATIONAL MONITOR

Imports were a little faster in May and June while exports were a little slower. The 2% rise in imports in the latest 2 months was more the result of higher shipments of petroleum and some raw commodities than shipping of finished goods—with the notable exception of cars from Japan and Europe. Exports slowed a bit in the latest 3 months mainly as a result of lower shipments of agricultural products—especially corn and soybeans. Wheat shipments, however, have increased.

Dollar depreciation was extensive and widespread in July. It was especially pronounced against the Swiss and French franc and the German D-Mark. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 125.8 (1980-1982 = 100) in July—or 25.8% higher than its base-period value. On this adjusted basis, the dollar has fallen by 10% since late Winter and is no higher this Summer than it was at this time last year.

Ken Goldstein
August 15, 1985

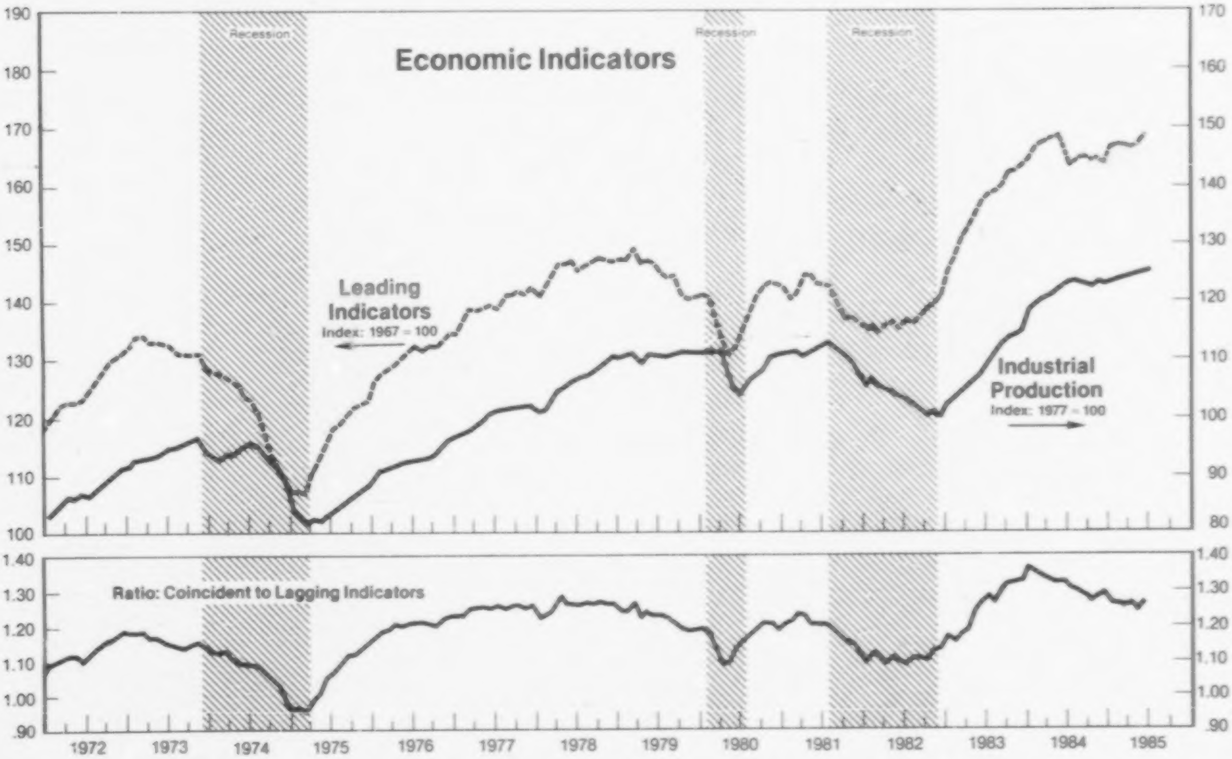


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June	X			+ 0.5%	+ 1.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June		X		− 3.5%	− 3.8%
New orders, nondefense capital goods (deflated)	June		X		− 1.9%	− 3.2%
*New business formation	June		X		0.0%	− 1.4%
*Housing permits	June		X		− 1.7%	− 5.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		+ 0.3%	+ 1.3%
*Change in inventory, on hand & order (deflated)	May			X	− 8.8%	−34.2%
Purchasing agents' buying policy	July		X		− 1.0%	−11.0%
*Vendor performance, reported slower deliveries	June		X		− 2.0%	−22.0%
Industrial raw materials prices	July			X	− 6.6%	−14.3%
*Change in sensitive material prices	June	X			+ 0.8%	+ 0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June	X			+ 1.0%	+ 5.1%
Change in business loans	June		X		− 0.4%	−61.5%
*Change in credit outstanding	May		X		+ 2.1%	−12.7%
Change in consumer installment debt	May		X		+ 0.4%	− 0.6%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	− 4.0%	−12.1%
*Common stock prices	July	X			+ 6.7%	+27.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		+ 0.2hr	− 0.1hr
*Initial unemployment claims (inverted)	July			X	− 9.0%	−15.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



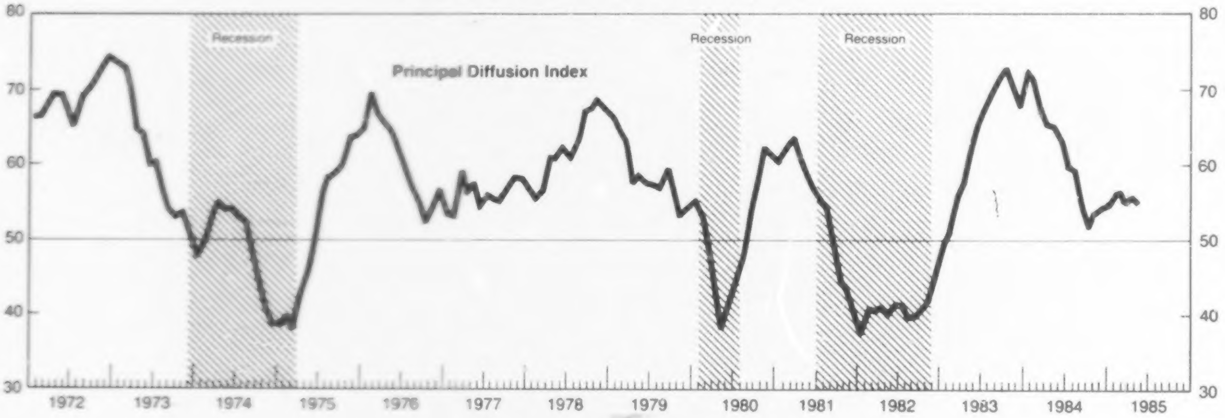
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984	1985			
	June	Mar.	Apr.	May	June (e)
Principal Diffusion Index	62.5	55.4	55.8	55.9r	58.8
Auxillary Diffusion Index	42.0	46.7	51.5	50.3	59.3
Industrial Group	61.7	52.8	50.3	54.0r	59.0
Nonindustrial Group	63.3	57.9	61.3	57.8r	58.5
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	59.0	51.5	48.7	53.6r	60.9
Labor	61.2	58.5	54.5	58.3	60.4
Miscellaneous	67.3	40.4	42.3	43.6	52.6
Nonindustrial Subgroups					
Prices	56.4	33.3	42.9	44.9	46.8
Consumer	80.3	78.2	76.5	70.1	64.5
Building	64.1	69.2	74.4	64.1	69.9
Miscellaneous	50.4	46.6	49.6	50.0r	52.8

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982	*1983*				*1984*				*1985*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	60	70	76	75	74	70	65	61	57	61	52
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	65	76	82	80	76	75	70	57	62	48
2. Expectations for Economy, Six Months Ahead	70	76	78	74	73	67	60	57	57	61	53
3. Expectations for Own Industry, Six Months Ahead	65	70	72	69	70	67	61	57	58	61	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983		1984				1985	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	22.785	24.262	26.816	37.154	27.592	29.190	30.506	32	3
Capital expenditures	18.244	19.560	19.905	21.808	22.924	24.875	23.346	19	17
Change in appropriations backlog*	+1.988	+0.928	+5.152	+13.867	+3.386	+1.748	+5.522		
Durable Goods									
New appropriations	9.119	11.024	13.662	21.216	12.617	14.938	17.269	59	22
Capital expenditures	7.667	8.727	8.714	10.033	11.031	12.463	11.296	33	14
Change in appropriations backlog*	+1.466	+0.819	+4.057	+10.843	+1.303	+1.100	+4.895		
Nondurable Goods									
New appropriations	13.666	13.238	13.154	15.938	14.975	14.252	13.237	12	17
Capital expenditures	10.577	10.833	11.191	11.775	11.893	12.412	12.050	9	19
Change in appropriations backlog*	+0.522	+0.109	+1.095	+3.024	+2.083	+0.648	+0.627		
ELECTRIC & GAS UTILITIES									
New appropriations	5.752	6.561	5.090	7.843	9.675	11.372	8.851	26	
Capital expenditures	8.922	8.676	8.737	8.859	9.019	9.170	8.653	1	
Change in appropriations backlog*	-4.321	-4.415	-6.109	-2.971	-1.526	-3.134	-0.077		

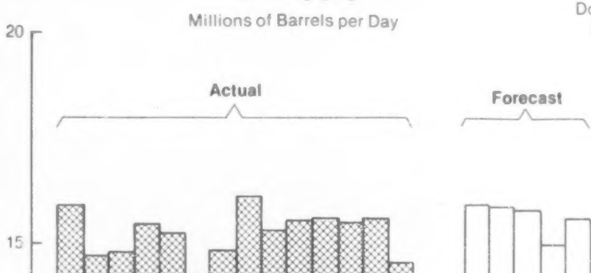
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

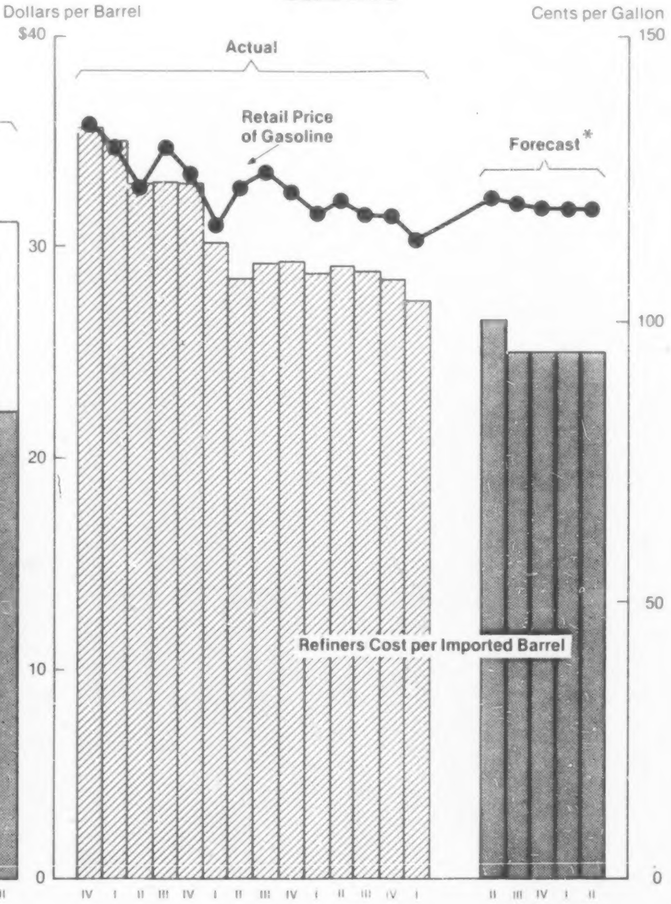
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

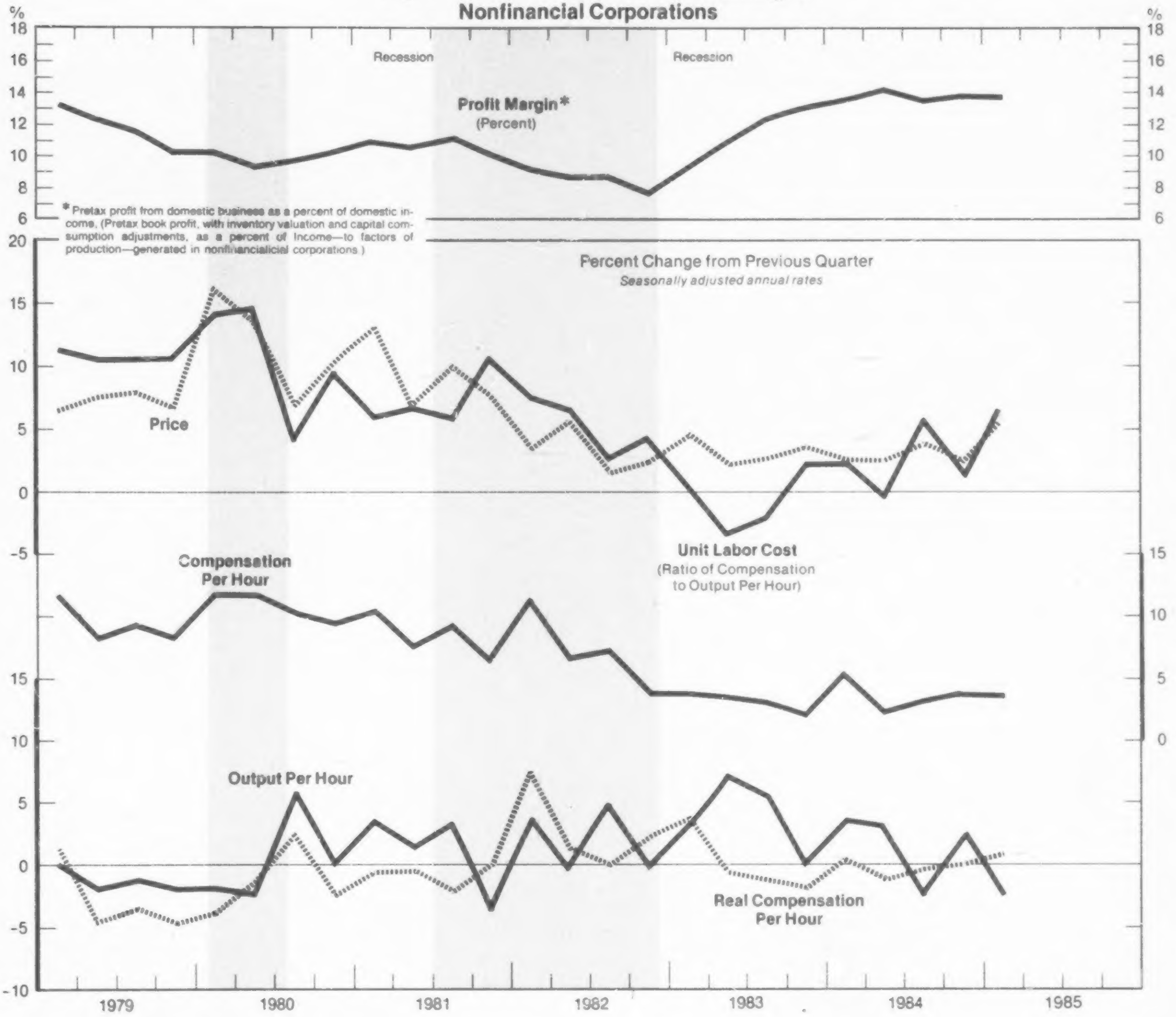


Oil Price



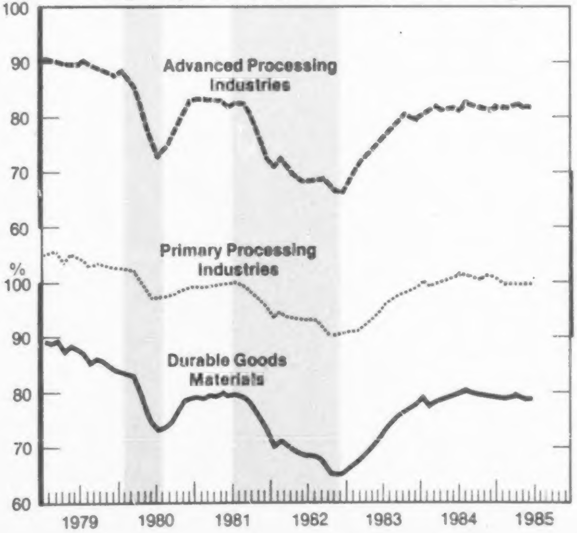
*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin
Nonfinancial Corporations

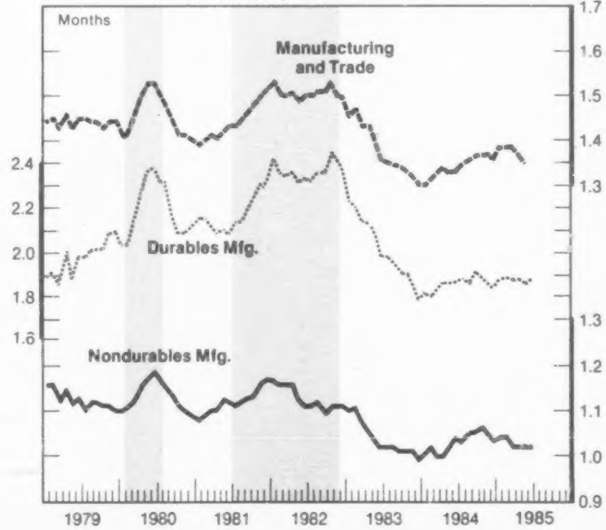


* Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*July 1985*		*July, 1985*		*July, 1985*		*July, 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**II**	**$3853.5**	**4.6%**	**$3853.5**	**4.6%**	**$3853.5**	**4.6%**	**$3853.5**	**4.6%**
		III	3928.1	8.0%	3920.5	7.1	3891.5	4.0	3913.0	6.3
		IV	3995.3	7.0	3986.3	6.9	3964.8	7.7	3985.8	7.7
	1986	I	4063.9	7.0	4056.5	7.2	4027.1	6.4	4051.8	6.8
		II	4134.5	7.1	4135.6	8.0	4085.9	6.0	4106.8	5.5
		III	4208.7	7.4	4213.2	7.7	4155.3	7.0	4167.2	6.0
		IV	4286.4	7.6	4297.9	8.3	4230.2	7.4	4237.8	7.0
	1987	I	4379.9	9.0			4294.4	6.2	4304.6	6.5
		II	4465.6	8.1			4363.1	6.6	4390.5	8.2
		III	4545.3	7.3			4423.3	5.6		
	1985	Annual	3896.9	6.4	3892.7	6.3	3880.1	5.9	3890.7	6.2
	1986	Annual	4173.4	7.1	4175.8	7.3	4124.6	6.3	4140.9	6.4
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**II**	**$1670.7**	**1.7%**	**$1670.7**	**1.7%**	**$1670.7**	**1.7%**	**$1670.7**	**1.7%**
		III	$1691.4	5.0%	1685.0	3.5	1681.0	2.5	1683.3	3.1
		IV	1705.1	3.3	1696.0	2.6	1698.0	4.1	1700.5	4.2
	1986	I	1718.4	3.2	1707.6	2.8	1710.0	2.9	1710.6	2.4
		II	1731.4	3.1	1722.3	3.5	1724.0	3.3	1715.5	1.2
		III	1745.0	3.2	1736.2	3.3	1735.0	2.6	1721.6	1.4
		IV	1759.0	3.2	1752.0	3.7	1748.0	3.0	1732.2	2.5
	1987	I	1776.1	3.9			1760.0	2.8	1738.2	1.4
		II	1790.3	3.2			1770.0	2.3	1753.4	3.5
		III	1801.6	2.5			1780.0	2.3		
	1985	Annual	1682.7	2.6	1678.8	2.4	1678.3	2.4	1679.5	2.5
	1986	Annual	1738.5	3.3	1729.5	3.0	1729.3	3.0	1720.0	2.4
Gross National Product deflator Index, 1972 = 100										
Actual	**1985**	**II**	**230.7**	**2.8%**	**230.7**	**2.8%**	**230.7**	**2.8%**	**230.7%**	**2.8%**
		III	232.2	2.8	232.7	3.5	231.5	1.5	232.5	3.2
		IV	234.3	3.6	235.0	4.1	233.5	3.5	234.4	3.4
	1986	I	236.5	3.8	237.6	4.3	235.5	3.5	236.9	4.3
		II	238.8	4.0	240.1	4.4	237.0	2.6	239.4	4.3
		III	241.2	4.1	242.7	4.3	239.5	4.3	242.1	4.5
		IV	243.7	4.2	245.3	4.4	242.0	4.2	244.6	4.4
	1987	I	246.6	4.9			244.0	3.3	247.6	5.0
		II	249.4	4.7			246.5	4.2	250.4	4.5
		III	252.3	4.7			248.5	3.3		
	1985	Annual	231.6	3.7	231.9	3.8	231.2	3.5	231.6	3.7
	1986	Annual	240.0	3.7	241.4	4.1	238.5	3.2	240.7	3.9
Unemployment Rate										
Actual	**1985**	**II**		**7.3%**		**7.3%**		**7.3%**		**7.3%**
		III		7.3		7.4		7.3		7.3
		IV		7.2		7.5		7.4		7.2
	1986	I		7.2		7.5		7.3		7.1
		II		7.1		7.4		7.3		7.0
		III		7.1		7.2		7.2		7.0
		IV		7.1		7.1		7.5		7.0
	1987	I		7.1				7.3		6.9
		II		7.1				7.2		6.8
		III		7.1				7.2		
	1985	Annual		7.3		7.4		7.3		7.3
	1986	Annual		7.1		7.3		7.3		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

ECONOMIC FORECASTS (continued)

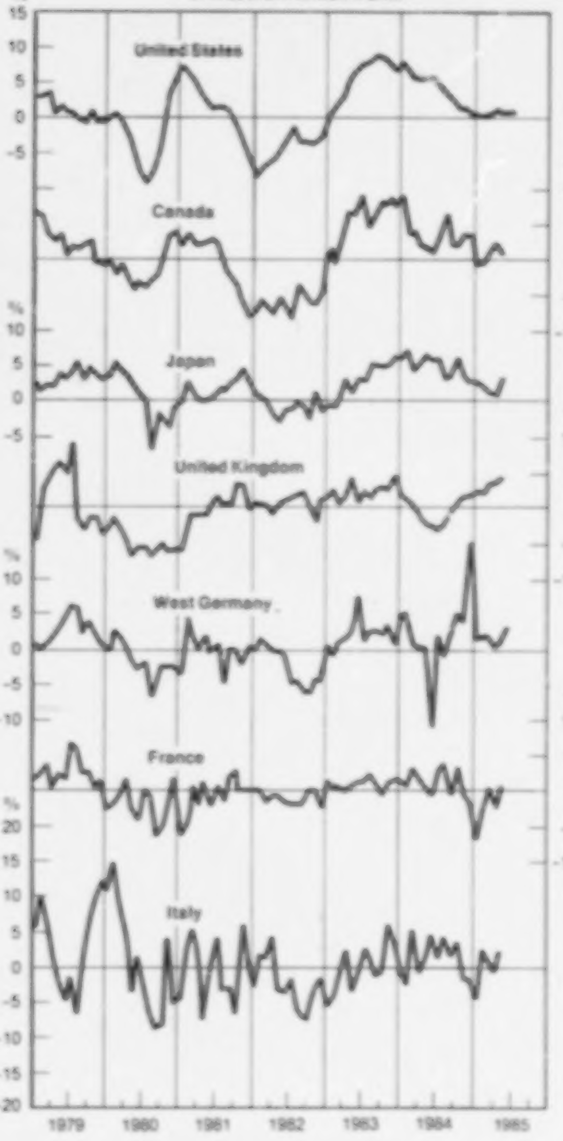
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1985		*July, 1985*		*July, 1985*		*July, 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3853.5	**4.6%**	**$3853.5**	**4.6%**	**$3853.5**	**4.6%**	**$3853.5**	**4.6%**	**II**	**1985**	**Actual**
3915.0	6.5	3922.8	7.4	3912.0	6.2	3925.6	7.7	III		
3968.0	5.5	3994.2	7.5	3964.3	5.5	3999.6	7.8	IV		
4033.0	6.7	4069.8	7.8	4018.5	5.6	4072.9	7.5	I	1986	
4101.0	6.9	4141.5	7.2	4075.8	5.8	4141.3	6.9	II		
4190.0	9.0	4196.2	5.4	4139.0	6.3	4215.1	7.3	III		
4273.0	8.2	4264.1	6.6	4216.5	7.7	4301.0	8.4	IV		
		4361.9	9.5	4310.2	9.2	4398.7	9.4	I	1987	
		4451.9	8.5	4398.7	8.5	4487.9	8.4	II		
		4549.5	9.1	4481.7	7.8	4571.5	7.7	III		
3886.8	6.1	3895.3	6.3	3885.1	6.1	3897.3	6.4	Annual	1985	
4149.3	6.8	4167.9	7.0	4112.5	5.9	4182.6	7.3	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1670.7	**1.7%**	**$1670.7**	**1.7%**	**$1670.7**	**1.7%**	**$1670.7**	**1.7%**	**II**	**1985**	**Actual**
1683.5	3.1	1681.7	2.7	1685.1	3.5	1686.6	3.9	III		
1691.4	1.9	1696.0	3.4	1693.7	2.1	1700.3	3.3	IV		
1703.9	3.0	1709.1	3.1	1702.9	2.2	1711.0	2.5	I	1986	
1716.5	3.0	1721.4	2.9	1712.5	2.3	1720.4	2.2	II		
1736.3	4.7	1725.5	1.0	1723.7	2.6	1732.4	2.8	III		
1751.4	3.5	1732.3	1.6	1739.5	3.7	1747.8	3.6	IV		
		1751.6	4.5	1758.4	4.4	1765.7	4.2	I	1987	
		1767.2	3.6	1774.8	3.8	1781.6	3.7	II		
		1783.4	3.7	1787.8	3.0	1794.3	2.9	III		
1677.3	2.3	1678.0	2.4	1678.3	2.4	1680.3	2.5	Annual	1985	
1727.0	3.0	1722.1	2.6	1719.7	2.5	1727.9	2.8	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
230.7	**2.8%**	**230.7**	**2.8%**	**230.7**	**2.8%**	**230.7**	**2.8%**	**II**	**1985**	**Actual**
232.6	3.3	233.3	4.6	232.2	2.6	232.8	3.7	III		
234.6	3.6	235.5	3.9	234.1	3.3	235.2	4.3	IV		
236.7	3.6	238.1	4.5	236.0	3.3	238.0	4.9	I	1986	
238.9	3.8	240.6	4.2	238.0	3.5	240.7	4.6	II		
241.3	4.1	243.2	4.4	240.1	3.6	243.3	4.4	III		
244.0	4.5	246.2	5.0	242.4	3.8	246.1	4.6	IV	1987	
		249.0	4.7	245.1	4.6	249.1	5.0	I		
		251.9	4.7	247.8	4.5	251.9	4.5	II		
		255.1	5.2	250.7	4.7	254.8	4.6	III		
231.7	3.7	232.1	3.9	231.5	3.6	231.9	3.8	Annual	1985	
240.2	3.7	242.0	4.3	239.1	3.3	242.0	4.4	Annual	1986	
								Unemployment Rate		
	7.3%		**7.3%**		**7.3%**		**7.3%**	**II**	**1985**	**Actual**
	7.3		7.4		7.3		7.2	III		
	7.3		7.6		7.4		7.2	IV		
	7.4		7.6		7.4		7.3	I	1986	
	7.4		7.5		7.5		7.3	II		
	7.1		7.5		7.6		7.4	III		
	7.1		7.5		7.6		7.5	IV		
			7.5		7.5		7.3	I	1987	
			7.3		7.5		7.2	II		
			7.1		7.5		7.2	III		
	7.3		7.4		7.3		7.3	Annual	1985	
	7.3		7.5		7.5		7.4	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

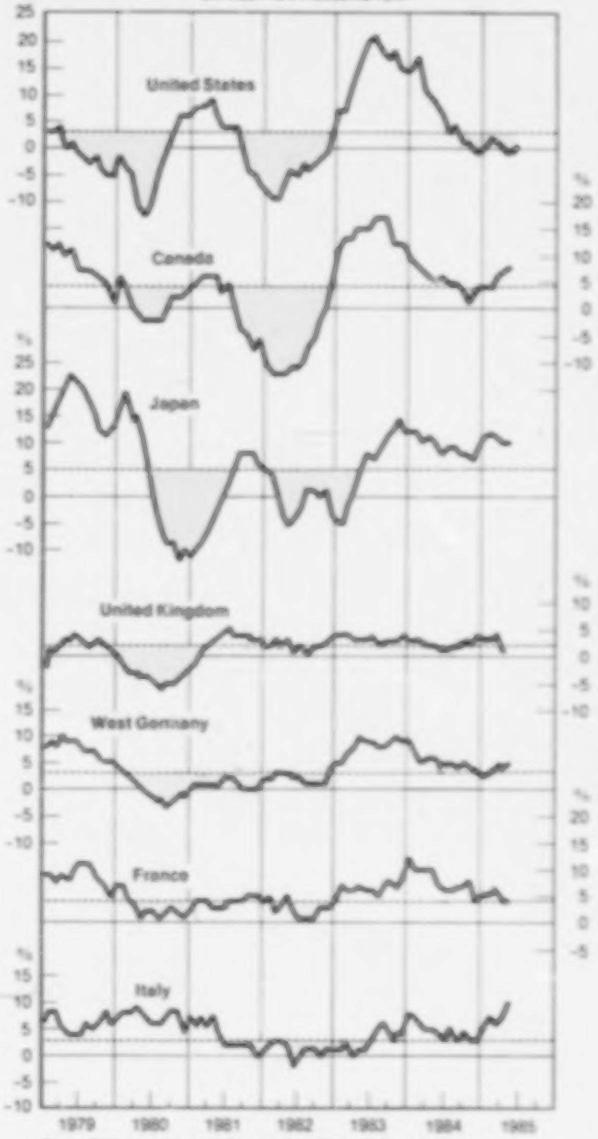
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



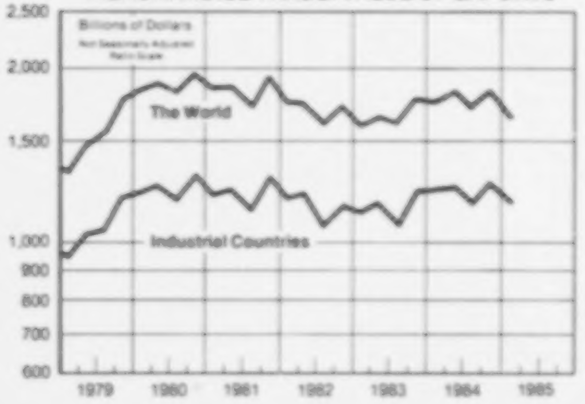
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

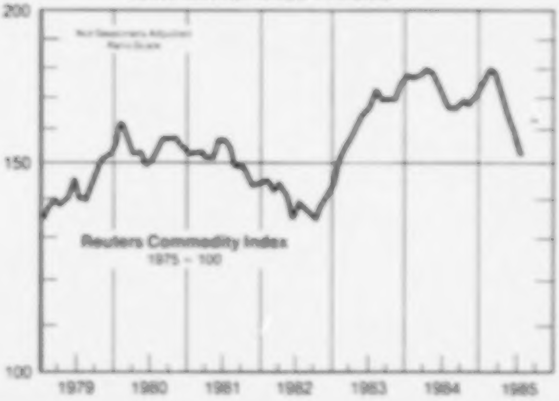


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

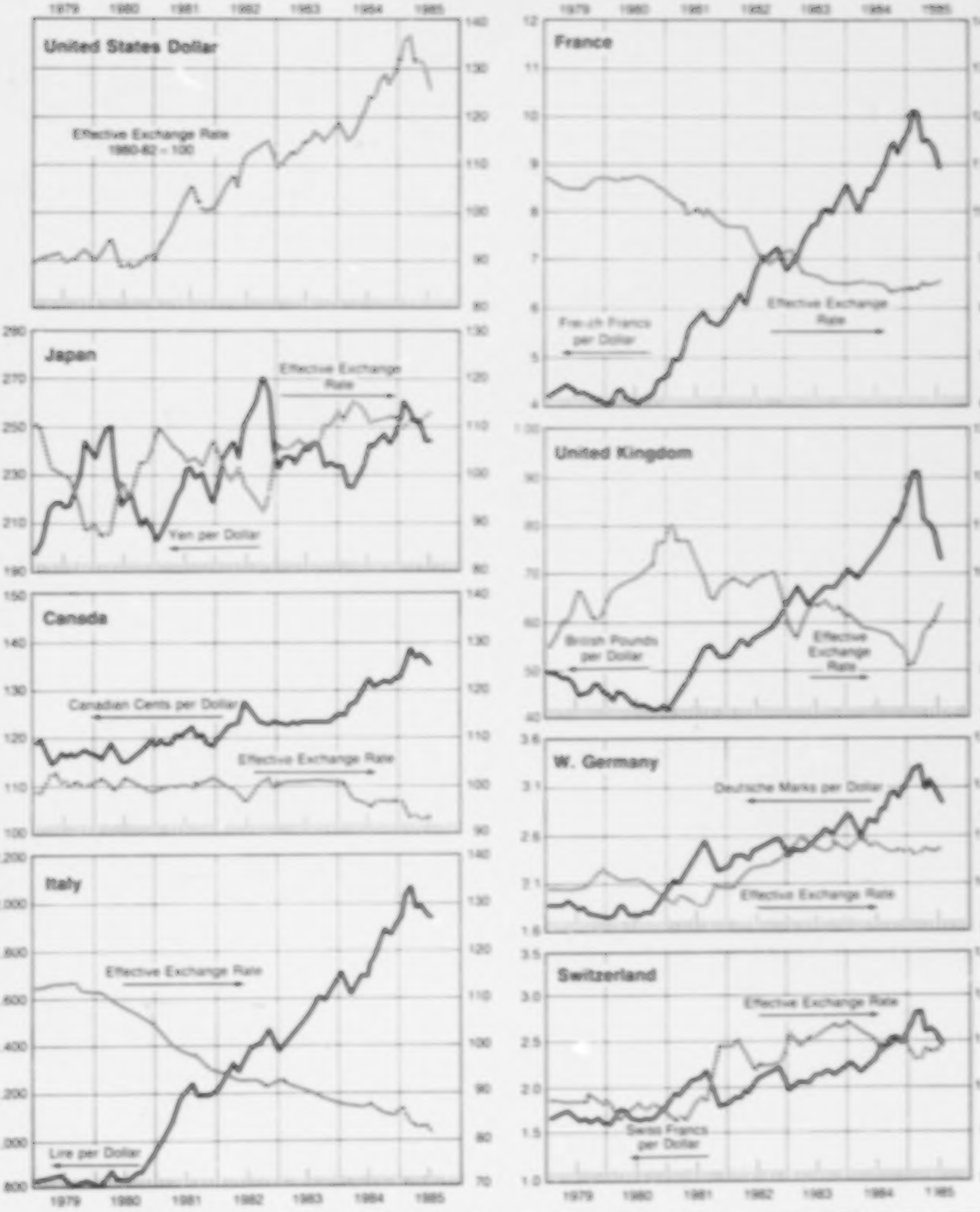


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100

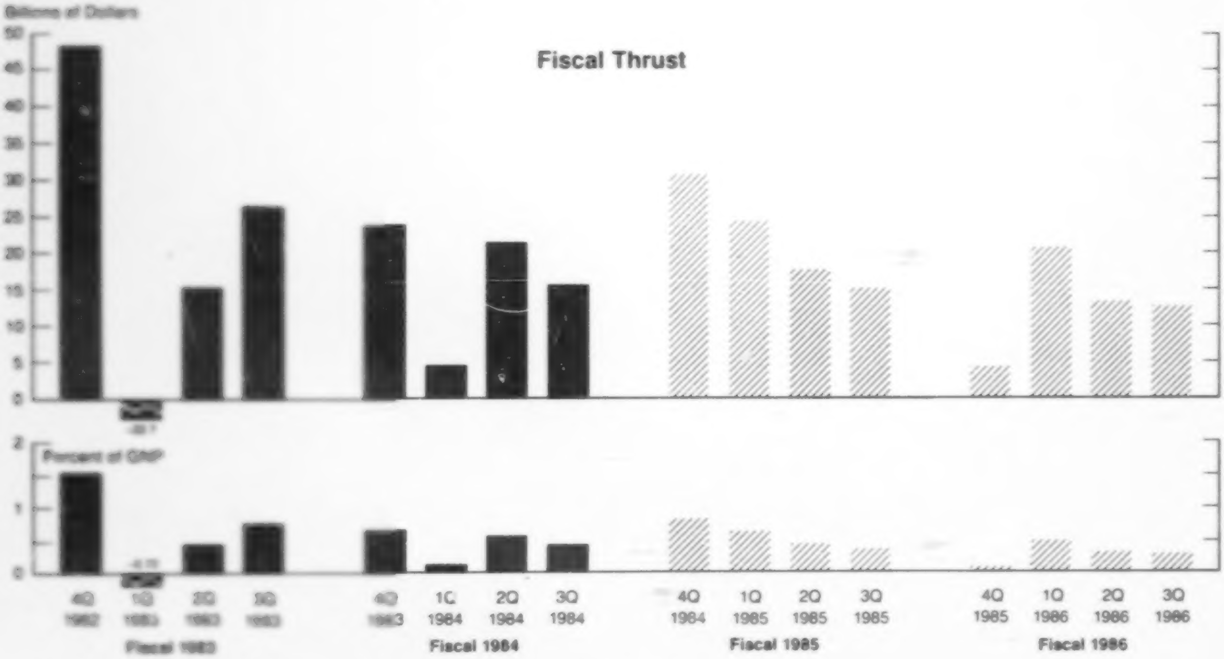


Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

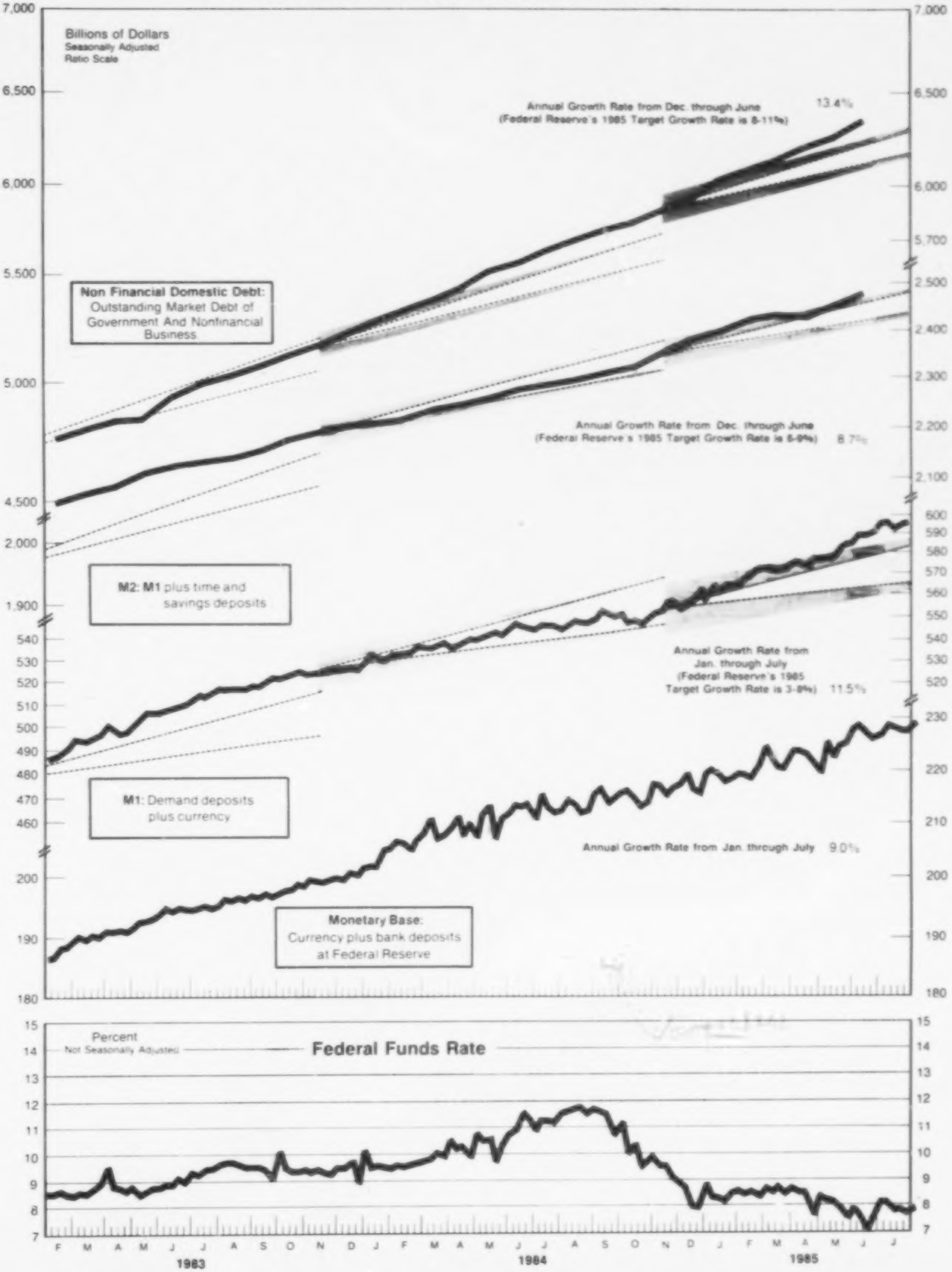
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Proposal	Congressional Resolution	Administration's Proposal	Congressional Resolution	Administration's Proposal	Congressional Resolution
	(4/15/85)	(8/13/85)	(4/15/85)	(8/13/85)	(4/15/85)	(8/13/85)
Receipts	**$ 794.3**	**$ 795.7**	**$ 864.6**	**$ 869.4**	**$ 949.6**	**$ 960.1**
Outlays	**971.7**	**967.6**	**1,025.4**	**1,024.1**	**1,092.9**	**1,073.1**
Deficit	**-177.4**	**-171.9**	**-160.8**	**-154.7**	**-143.3**	**-112.9**
Receipts by source	**794.3**	**795.7**	**864.6**	**869.4**	**949.6**	**960.1**
Individual income taxes	358.4	364.5	394.8	399.3	434.8	439.0
Social security	76.2	72.3	89.1	90.3	99.3	104.2
Corporate income taxes	288.7	285.4	309.1	306.1	345.0	343.4
Other receipts	71.0	73.5	71.6	73.7	70.5	73.5
Outlays by function	**971.7**	**967.6**	**1,025.4**	**1,024.1**	**1,092.9**	**1,073.1**
Social security and medicare	268.6	270.0	286.7	290.4	308.1	312.9
National defense	285.7	267.1	321.2	285.2	358.4	303.9
Income security	116.3	119.1	119.4	124.2	123.8	130.6
Health	34.9	34.9	35.7	37.8	37.4	40.7
Education and manpower	29.3	30.8	27.8	31.3	27.6	32.1
Transportation	25.9	25.8	25.3	27.7	24.5	28.1
Veterans' benefits	26.6	26.8	26.6	27.3	27.4	27.7
International affairs	18.0	18.9	16.9	17.3	16.1	16.4
Agriculture	13.2	15.6	10.1	16.2	9.5	13.7
Natural resources	11.8	13.0	10.7	12.8	10.7	13.0
General science	9.3	8.9	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.6	7.0	6.7	7.2
Community development	7.3	8.0	6.4	7.3	5.8	6.8
General government	4.8	5.5	4.9	5.2	5.0	5.5
Commerce, housing credit	2.6	3.7	- 0.9	3.4	- 1.7	5.2
Energy	3.3	5.6	3.4	5.2	2.2	4.5
Revenue sharing	2.8	6.5	1.7	3.2	1.7	2.1
Interest	141.3	142.3	151.8	152.5	157.5	155.0
Allowances	0.4	- 1.7	0.7	- 1.7	1.8	- 0.5
Offsetting receipts	-37.0	-39.9	-39.0	-37.1	-39.1	-40.9



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete description, see Michael Levy, *The Federal Budget: Its Impact on the Economy* [illegible], The Conference Board, New York, [illegible]

Money Supply and Monetary Growth Targets



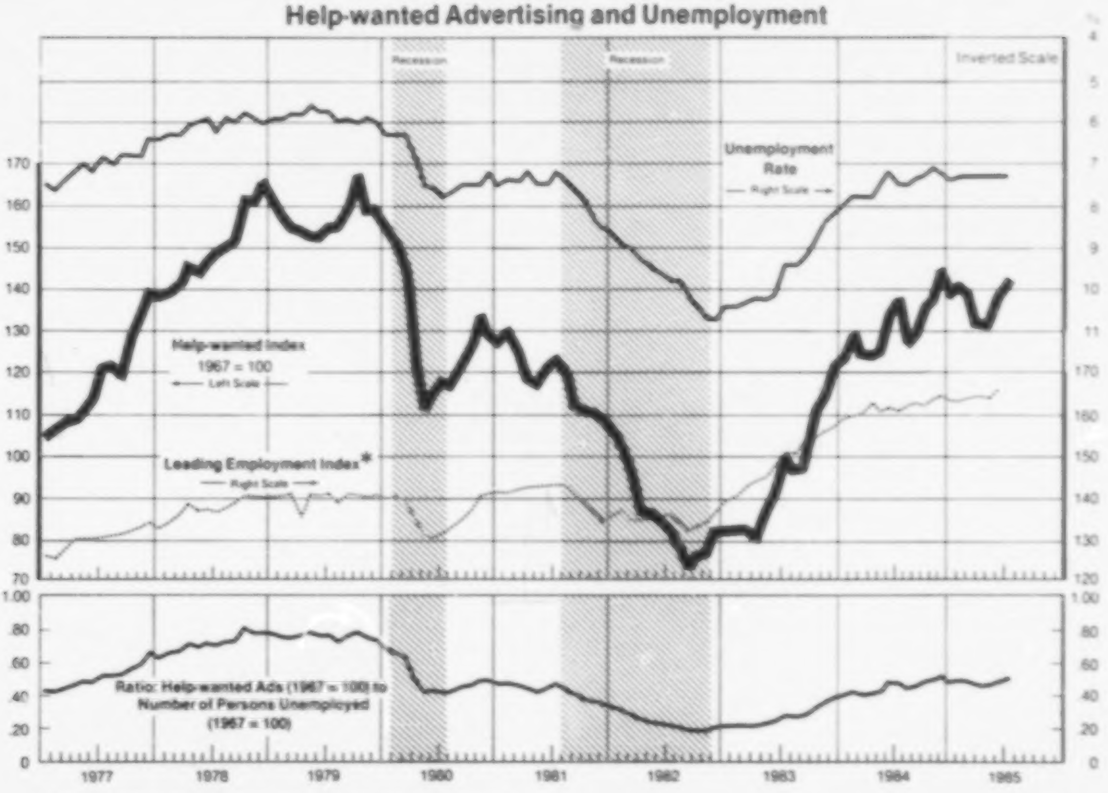
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 June	1985 May	1985 Apr.	1984 June
National Index	138	131	131	134
New England	153	145	149	150
Boston	166	160	161	164
Hartford	138	132	151	149
Providence	124	102	103	103
Middle Atlantic	69	63	62	64
Albany	176	155	149	136
Allentown	176	144	174	161
New York	54	53	53	54
Philadelphia	61	52	49	56
Pittsburgh	72	64	61	57
Rochester	86	78	79	76
Syracuse	112	104	97	110
East North Central	90	85	83	81r
Chicago	99	96	94	101
Cincinnati	147	124	101	107
Cleveland	61	56	58	56
Columbus	134	121	130	105
Dayton	91	79	79	68
Detroit	64	63	64	52
Gary	113	110	87	99
Indianapolis	90	88	85	88r
Milwaukee	57	49	50	52
Toledo	112	108	112	87
West North Central	94	82	84	87
Kansas City	145	111	117	119
Minneapolis	75	73	75	79
Omaha	124	114	120	115
St. Louis	73	64	64	69
South Atlantic	172	162r	157	161
Atlanta	303	276	271	292
Baltimore	127	141	111	114
Charlotte	143	130	139	139
Jacksonville	216	210	192	197
Miami	79	70r	74	80r
Richmond	105	120	119	111
Washington, D.C.	178	158	162	158
East South Central	148	137	143	130
Birmingham	166	141	138	141
Knoxville	194	204	207	181
Louisville	98	89	77	78
Memphis	106	109	108	113
Nashville	208	181	231	168
West South Central	253	236	235	299
Dallas	343	322	322	440
Houston	303	284	280	354
New Orleans	114	103	104	141
Oklahoma City	155	142	140	176
San Antonio	219	213	211	210
Tulsa	168	146	149	174
Mountain	326	315	314	309
Denver	207	194	212	215
Phoenix	484	475	475	430
Salt Lake City	334	326	287	319
Pacific	191	189	194	185
Los Angeles	140	136	143	143
Sacramento	350	355	342	293
San Bernadino	195	173	221	149
San Diego	431	422	435	385
San Francisco	193	199	193	198
Seattle	182	179	175	178
Percentage of papers with rising volume	88	43	22	84
Unemployment rate	7.3	7.3	7.3	7.2

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar	Apr.	May	June	July	Aug.	Sept	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2	91.5	92.4p					

Buying Plans Index

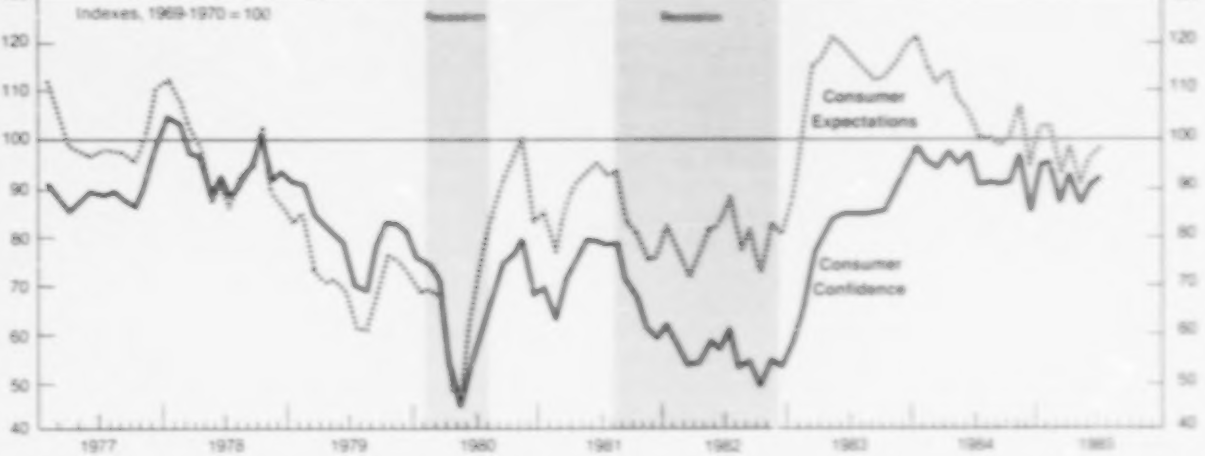
	Jan.	Feb.	Mar	Apr.	May	June	July	Aug.	Sept	Oct.	Nov.	Dec.
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8	107.6r	88.9p					

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

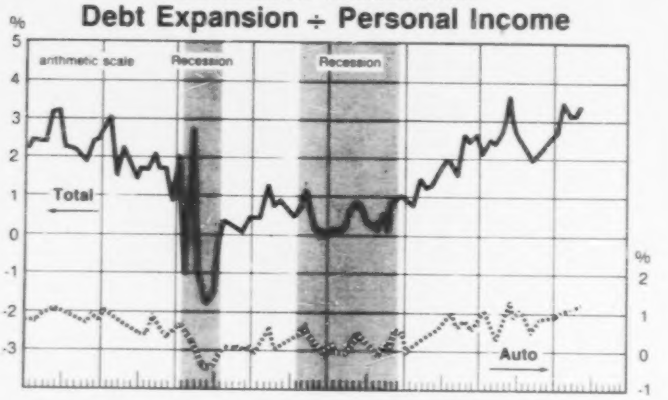
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	**IV**	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	**I**	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	**I**	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	**I**	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	**Ir**	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

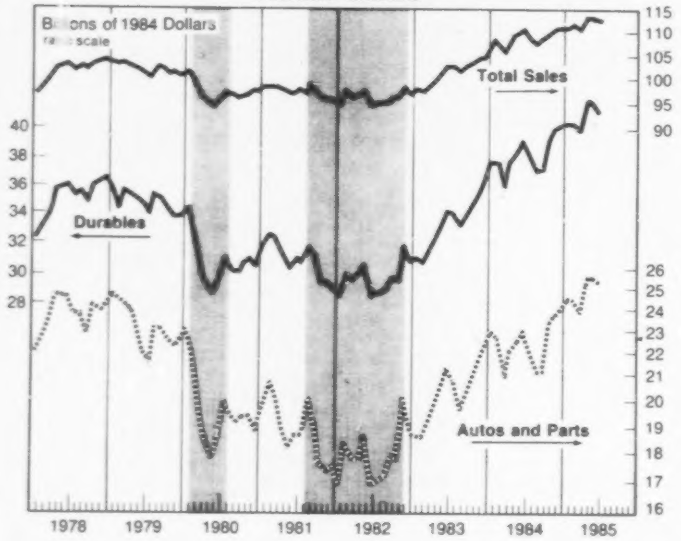
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

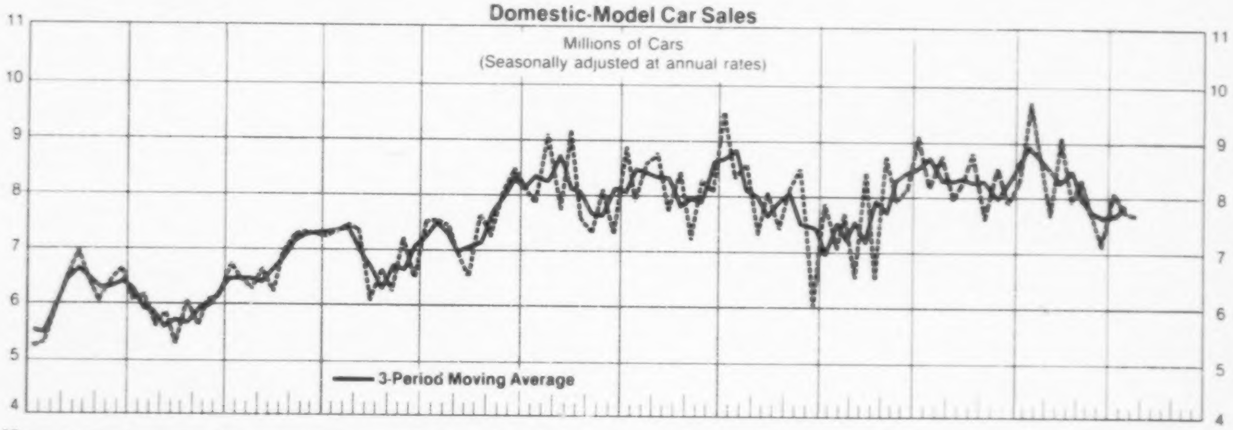
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

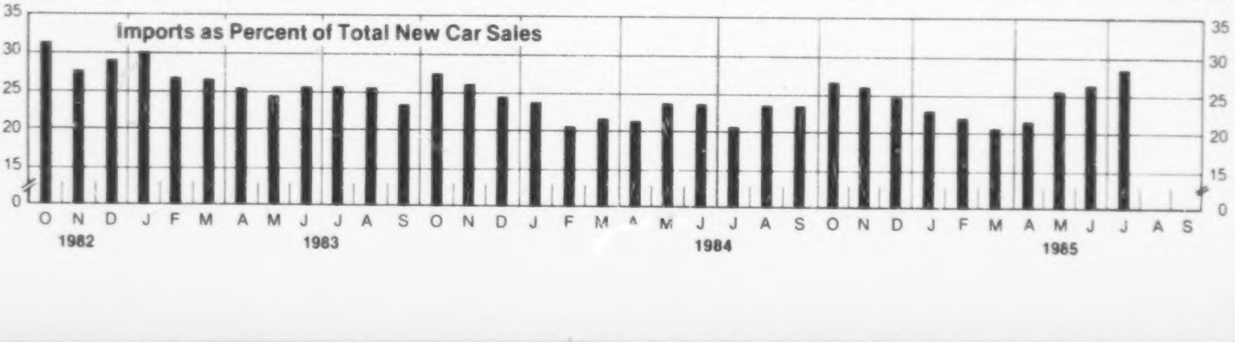
Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales

Millions of Cars
(Seasonally adjusted at annual rates)



Imports as Percent of Total New Car Sales



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STATISTICAL BULLETIN

Volume 18, No. 9, September, 1985

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* CAR AND HOME SALES RISE
* NEW ORDERS PICK UP
* PRODUCTION GAINS IMPROVE A LITTLE
* IMPORTS SLOW
* CAPITAL SPENDING MAY BE WEAKENING

OVERVIEW: Data released in the last month point to a strengthening in the economy in the third quarter. Car sales took off in response to the end of the delivery strike and the 7.7% loan offer. Strong car buying gave a boost to retail sales. New orders have quickened a bit. Industrial production expanded. Meanwhile, imports slowed. Altogether, these few signs suggest that the pace of activity has quickened. Fast money growth, and interest rate and dollar relief, lend support to the view that the second half of 1985 will be better than the first half. Yet, given some areas in the economy, that pickup in expansion seems likely to be restrained.

Budget assumptions from both Congress and the Administration show a resurgence of economic expansion (see the new table on page 12). Private **Economic Forecasts** tend to agree but have decidedly more modest expectations. The median of the forecasts shows real output growing just under 3% in the second half of 1985. That pace is expected to be maintained all through 1986.

DOMESTIC MARKETS MONITOR

The unemployment rate declined a little in August, to 7%, after having been stuck at 7.3% through the first half of 1985. But that improvement is more the result of slow labor force growth than any pickup in job demand. Employment has grown by 0.2% in the last 4 months. Most of these new jobs are in services, and have gone to women. The labor force—those working or looking for a job—did not change in the last 4 months. The population (16 years of age and up) rose 0.3 percent. A number of out-of-work teens, and some adult men, did not bother to look for work this Summer. So, they weren't counted in the labor force. If they had been, the unemployment rate would not have declined.

Gains in hours worked strongly support the view that activity is livelier in the third quarter. Small gains in the number of production workers, and a 0.2 hour rise in the work week, resulted in a fairly strong 0.7% rise in manufacturing hours in August. Nonmanufacturing hours were also up significantly.

Labor market indicators are not signalling any sizable pickup in new hiring. The Conference Board's **Help-wanted Index** rose to 139 (1967 = 100) in July, from 131 in May. That only brought this measure of labor demand back up to its level of last Summer. Moreover, early returns to the August survey indicate that ad volume dropped off a bit.

WAGES AND INCOMES: Hourly earnings, adjusted for inflation, have been unchanged in the latest 4 months. In fact, average real earnings per hour were no higher in July than last January, and actually 1% lower than a year ago.

The rise in personal income has slowed. Income, adjusted for inflation, rose only 0.2% in July. Average hourly earnings are also rising rather slowly. Most of the new jobs are in services, where pay is typically lower than in goods-production. Further, corporate profits have been flat for the last year. And price increases have been limited. The high dollar helps keep price rises muted. Given limited price hikes and flat profitability (see the Key Determinents of Profit Margins chart), employers can ill afford to relax their labor cost containment.

Retail sales improved in July and August, after some declines in the prior 2 months. The August gain was quite sharp but mainly reflected a surge in car buying. After 3 relatively soft months, new domestic **Automobile Sales** returned in August to the fast pace set in April. Delayed buying, due to the delivery strike as well as widespread — widely advertised—financing incentives, perked up sales. Moreover, foreign cars were selling at roughly the same pace in August as in the prior 3 months. But, did shoppers, who were planning to buy a new 1986 car, decide not to wait—i.e., not pass up bargains? Loan incentives have been introduced before. This time, though, they are available on more models. Sales always tail off when incentive programs end. Stepped up production (almost 20% higher this July than last year) suggests that car makers are betting on not much drop off. Car sale numbers bear close watching this Fall.

Ken Goldstein, Editor

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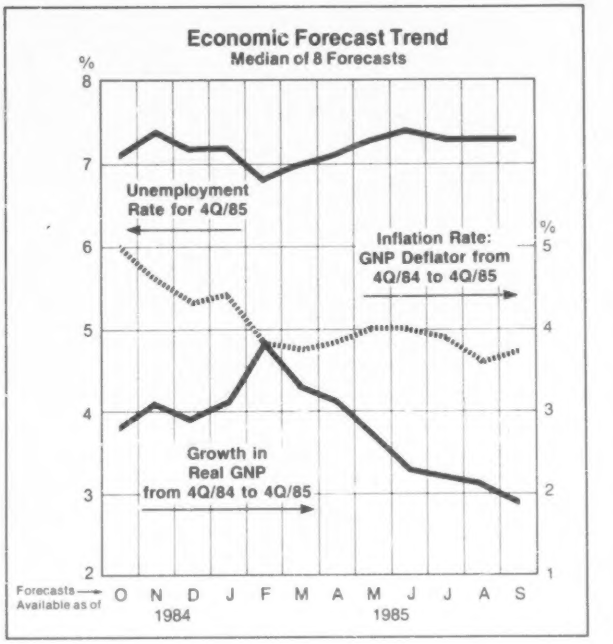


After a bit of a slump this Spring, new one-family home sales rebounded in June and July. Sales were 0.7% higher in July than last March. Single-unit housing starts, however, were 10% lower in July than 3 months earlier. Multiple-unit starts were off 22 percent. The modest pickup in sales, then, has not yet spurred any surge in building activity.

Household liquidity has improved. That's the other side of strong money growth. Debt burdens, however, are still at near-record levels. The ratio of **Consumer Installment Debt Expansion to Personal Income** has declined in 2 of the last 4 months. Nevertheless, the ratio was only marginally lower in July than it was in March and April.

The Conference Board's **Consumer Confidence Index** has been treading water since last Winter. Consumer attitudes have not improved much and expectations of income and job growth are still very weak.

The boom in business investment may be winding down. The Conference Board's **Capital Appropriations and Expenditure** survey of the 1,000 largest manufacturers showed that spending plans did not rise in the second quarter. And, although spending was still increasing, industry leaders have scaled back their expectations of investment growth. They now expect capital investment to rise 6% this year. Only 3 months ago, they expected it to rise 17 percent.

Industrial production, which has been rising at about 0.1% to 0.2% per month recently, increased 0.3% in August. The gain in manufacturing was a little sharper. Production of business and defense- and space-related equipment has been relatively strong. Production of cars and autos, though, quickened in July and August.

After a sizable gain in June, new orders for manufactured goods dipped in July. But, total orders were still 5.6% higher in July than 3 months earlier. To be sure, orders for defense material were up almost 60 percent. But, nondefense orders were 2.4% higher in July.

INVENTORY: Following a sizable increase in June, inventory was unchanged in July. Business sales, however, recovered a bit. The ratio of inventory-to-sales, then, fell a notch. That indicates that inventory realignment is continuing.

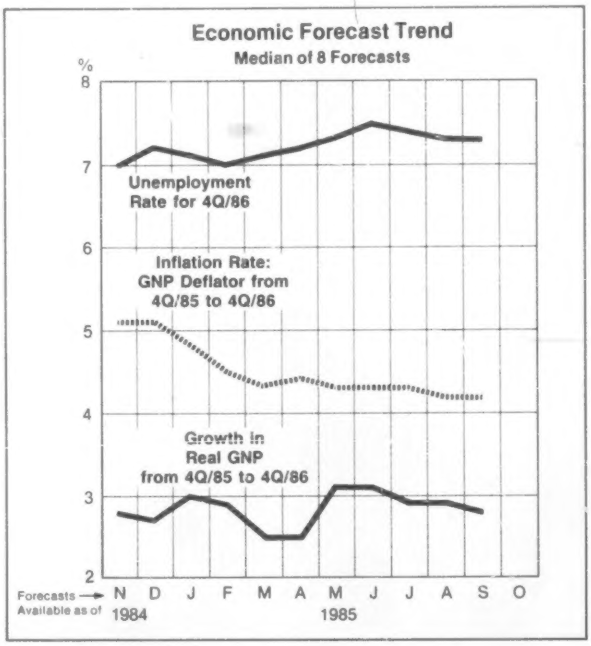
PRICES: Commodity prices fell 2.3% in August—about the same pace as in the prior 3 months. Raw industrial commodity prices fell only 0.4% and metal prices actually rose 1.1%—after declining for 3 months. Declining food prices are depressing the overall commodity index.

INTERNATIONAL MONITOR

After rising by about 2% in both May and June, imports fell by a sharp 9.5% in July. Shipments of fuel, food, raw materials and finished goods all declined. Exports have dipped a little in recent months.

Following a steep drop in July, the dollar edged lower in August. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 124 (1980-1982 = 100) in August—or 24% above its base-period value. The dollar has come down by about 9½% since March. Half of that occurred in July.

Ken Goldstein
September 16, 1985

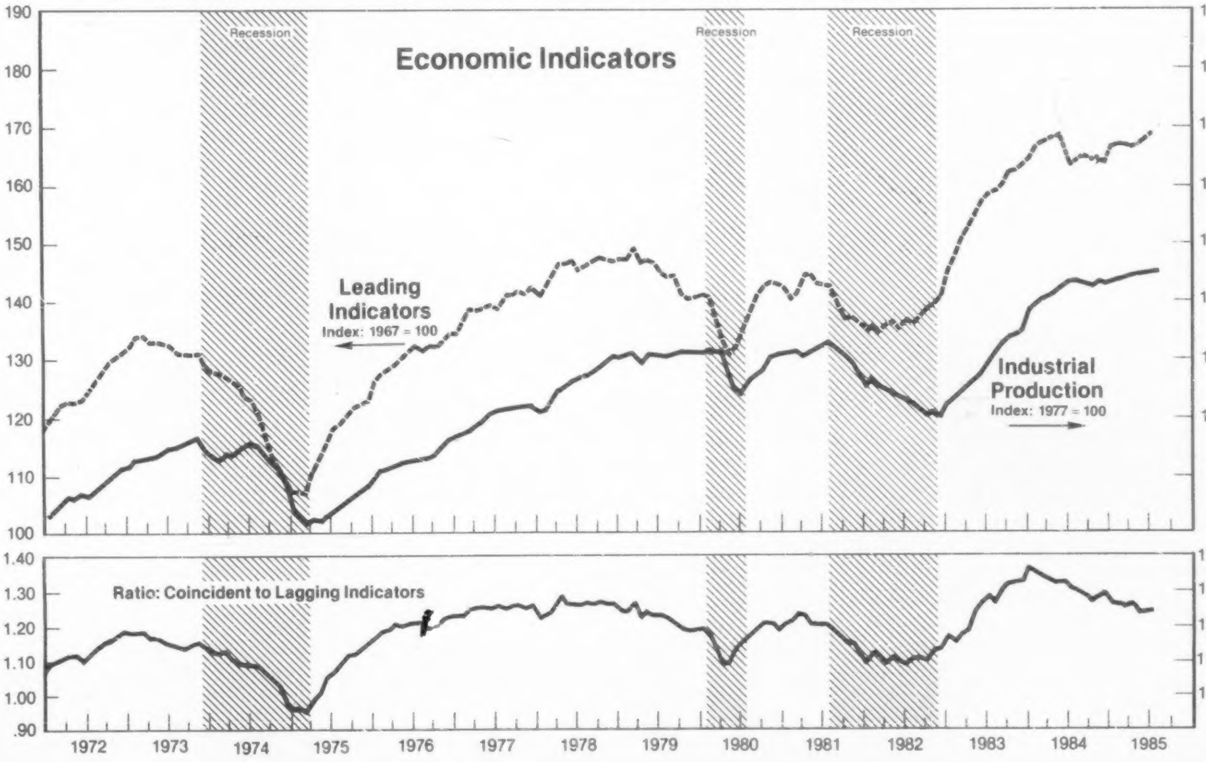


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July	X			+ 1.1%	+ 2.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	July	X			+ 6.4%	− 3.8%
New orders, nondefense capital goods (deflated)	July		X		+ 4.5%	− 5.0%
*New business formation	July		X		+ 1.2%	+ 1.9%
*Housing permits	July		X		− 0.6%	+ 6.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	July		X		+ 0.3%	+ 0.2%
*Change in inventory, on hand & order (deflated)	June			X	− 15.9%	− 29.4%
Purchasing agents' buying policy	Aug.		X		+ 1.0%	− 5.0%
*Vendor performance, reported slower deliveries	July		X		0. %	− 16.0%
Industrial raw materials prices	Aug.			X	− 4.8%	− 12.9%
*Change in sensitive material prices	July		X		+ 0.3%	+ 0.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July	X			+ 2.0%	+ 5.5%
Change in business loans	July	X			+ 9.4%	− 14.2%
*Change in credit outstanding	July			X	− 5.4%	− 7.6%
Change in consumer installment debt	June		X		− 18.7%	− 3.6%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	− 1.0%	− 12.1%
*Common stock prices	Aug.		X		+ 1.7%	+ 14.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		+ 0.2hr	− 0.1hr
*Initial unemployment claims (inverted)	Aug.	X			+ 6.0%	− 0.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.

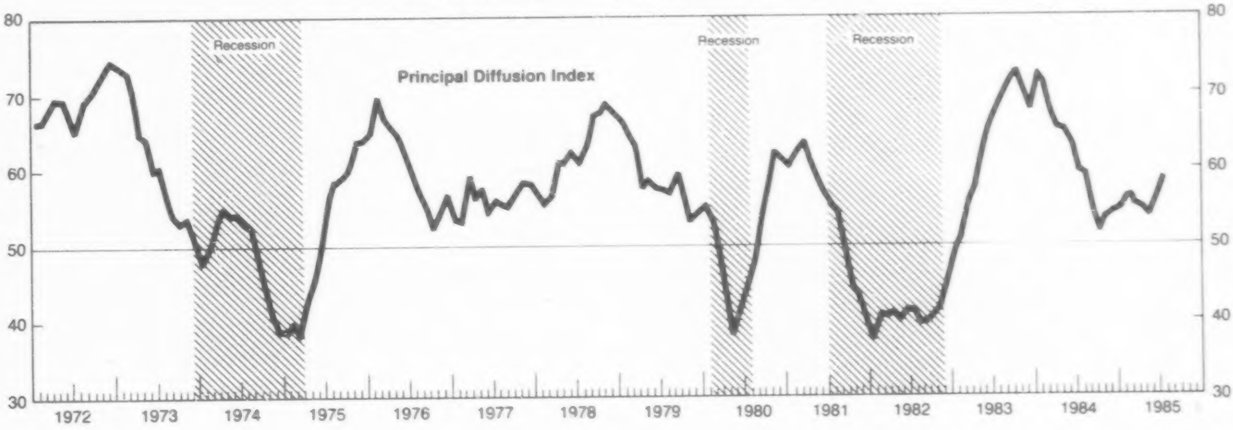


CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984 July	1985 Apr.	1985 May	1985 June	1985 July (e)
Principal Diffusion Index	61.6r	54.8r	53.9r	56.0r	58.5
Auxillary Diffusion Index	44.0r	52.0r	47.3r	56.6r	58.2
Industrial Group	62.5r	48.3r	51.6r	56.3r	60.7
Nonindustrial Group	60.8	61.3	56.3r	55.6r	56.3
Sense of Diffusion	1	0	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.4r	41.9r	45.7r	54.7r	62.8
Labor	57.1	54.5	58.3	58.8r	62.4
Miscellaneous	71.8	42.3	43.6	52.6	53.2
Nonindustrial Subgroups					
Prices	46.8	42.9	44.9	46.8	48.1
Consumer	73.1	76.5	70.1	64.5	69.7
Building	61.5	74.4	64.1	62.2r	52.6
Miscellaneous	57.3	49.6	44.9r	48.1r	50.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 *Nov.*	1983 *Feb.*	1983 *May*	1983 *Aug.*	1983 *Nov.*	1984 *Feb.*	1984 *May*	1984 *Aug.*	1984 *Nov.*	1985 *Feb.*	1985 *May*
					Score (scale 0-100)						
Measure of Business Confidence	60	70	76	75	74	70	65	61	57	61	52
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	65	76	82	80	76	75	70	57	62	48
2. Expectations for Economy, Six Months Ahead	70	76	78	74	73	67	60	57	57	61	53
3. Expectations for Own Industry, Six Months Ahead	65	70	72	69	70	67	61	57	58	61	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983	1984				1985		Percent Change From Previous Year	
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.262	26.916	34.123	27.309	29.100	29.938	28.605	32	1
Capital expenditures	19.560	20.129	21.739	23.034	24.587	23.354	25.673	19	6
Change in appropriations backlog*	+0.928	+4.969	+10.715	+2.885	+2.302	+4.984	+0.511		
Durable Goods									
New appropriations	11.024	13.387	18.702	12.742	15.072	16.737	11.421	59	-14
Capital expenditures	8.727	8.874	10.041	11.101	12.223	11.648	13.332	33	9
Change in appropriations backlog*	+0.819	+3.659	+ 8.212	+1.107	+1.797	+4.154	-3.184		
Nondurable Goods									
New appropriations	13.238	13.529	15.421	14.567	14.028	13.201	17.184	11	16
Capital expenditures	10.833	11.255	11.698	11.933	12.364	11.706	12.341	9	4
Change in appropriations backlog*	+0.109	+1.310	+2.503	+1.778	+0.505	+0.830	+3.695		
ELECTRIC & GAS UTILITIES									
New appropriations	6.561	5.090	7.843	9.675	11.372	8.951	N.A.	26	
Capital expenditures	8.676	8.737	8.859	9.019	9.170	8.653	N.A.	1	
Change in appropriations backlog*	-4.415	-6.109	-2.971	-1.526	-3.134	-0.077	N.A.		

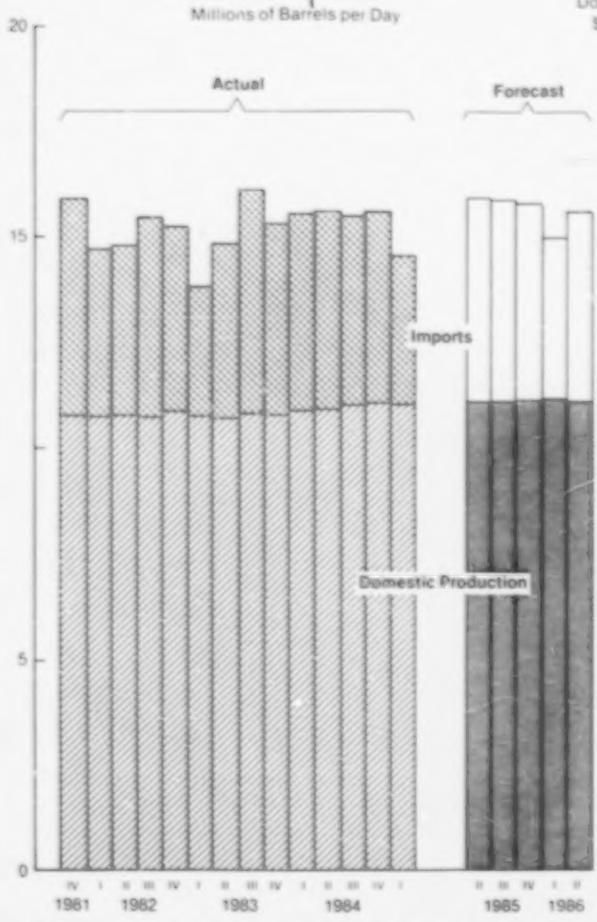
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

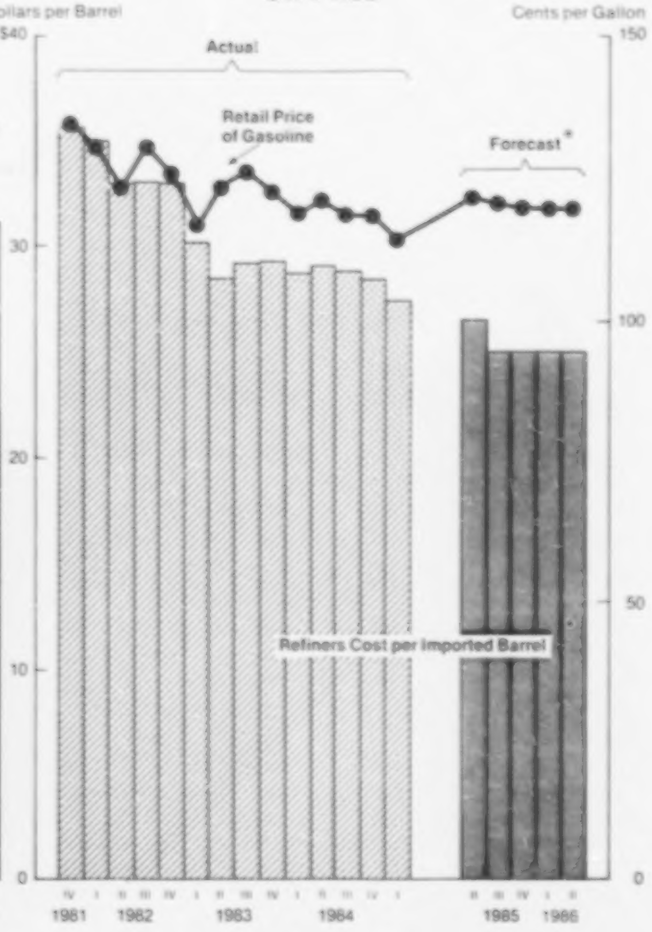
* Change in Backlog = New Appropriations – (Expenditures + Cancellations + Other Adjustments)

** Results based on survey respondents' expectations.

Oil Supply



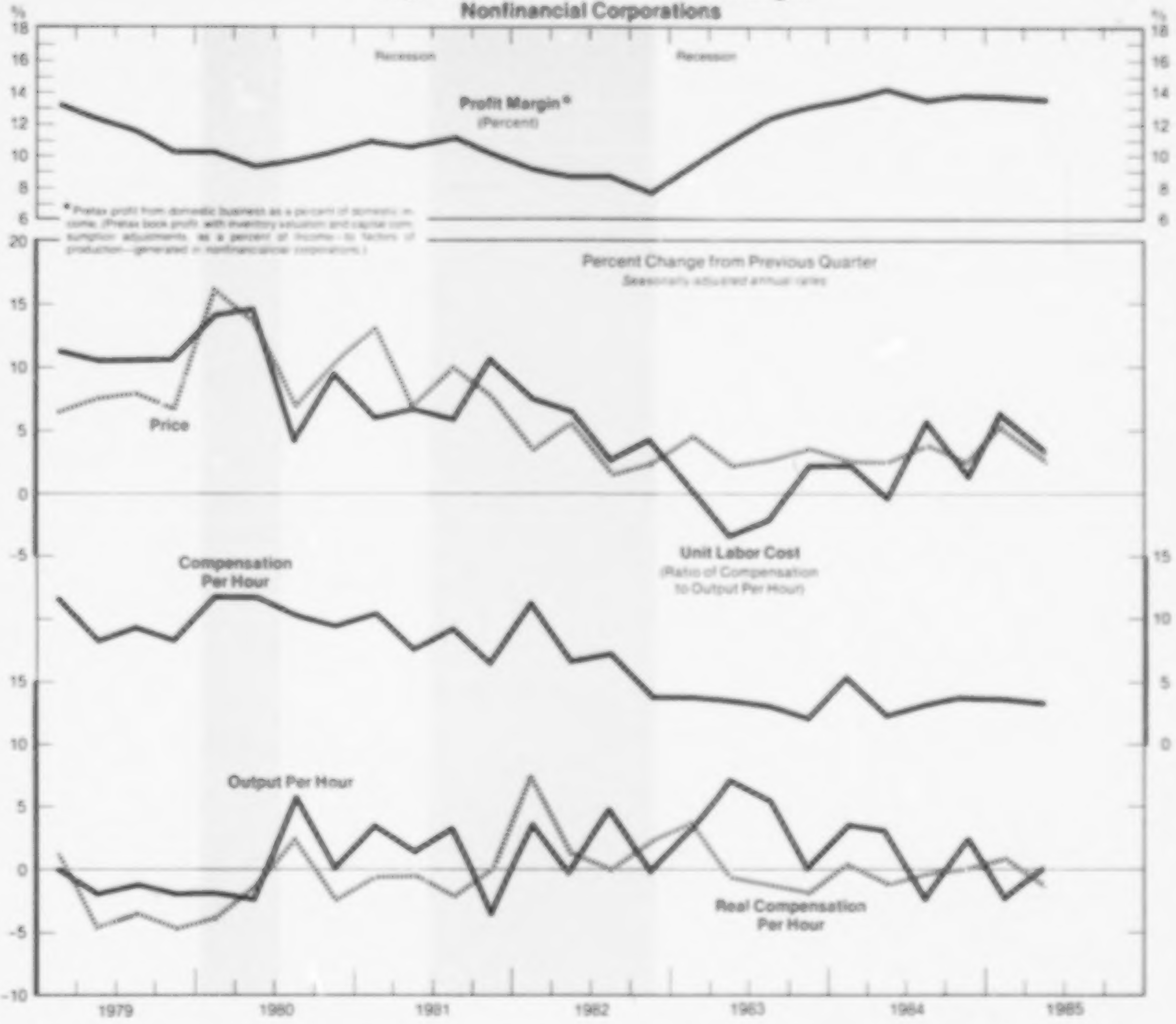
Oil Price



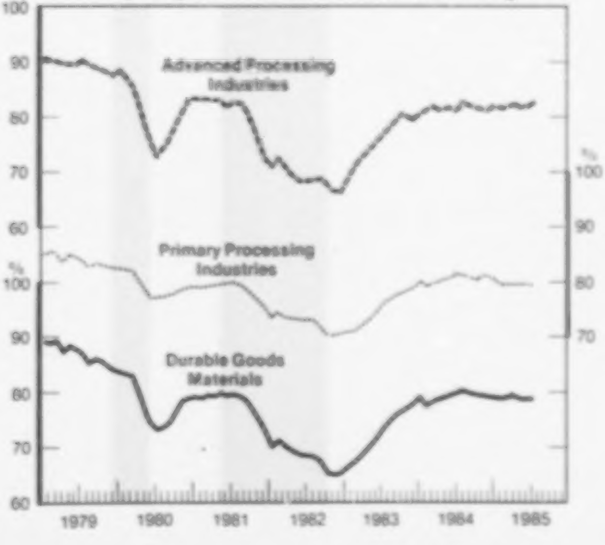
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin

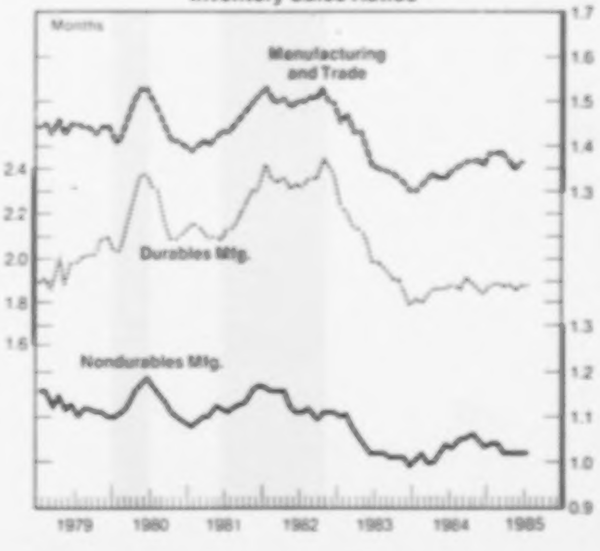
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*August, 1985*		*August, 1985*		*August, 1985*		*August, 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**II**	**$3855.1**	**4.8%**	**$3855.1**	**4.8%**	**$3855.1**	**4.8%**	**$3855.1**	**4.8%**
		III	3912.1	6.0%	3917.2	6.6	3886.9	3.3	3909.5	5.8
		IV	3972.2	6.3	3975.7	6.1	3950.8	6.7	3963.3	7.8
	1986	I	4040.5	7.1	4037.5	6.4	4012.9	6.4	4055.3	7.4
		II	4111.0	7.2	4112.1	7.6	4074.0	6.2	4113.5	5.9
		III	4192.3	8.1	4195.9	8.4	4148.1	7.5	4179.6	6.6
		IV	4282.8	8.9	4278.4	8.1	4215.6	6.7	4252.0	7.1
	1987	I	4389.8	10.4			4274.9	5.7	4319.1	6.5
		II	4490.0	9.4			4338.4	6.1	4404.7	8.2
		III	4587.1	8.9			4391.0	4.9	4498.6	8.8
	1985	Annual	3887.5	6.1	3889.7	6.2	3875.9	5.9	3889.6	6.2
	1986	Annual	4156.7	6.9	4156.0	6.8	4112.7	6.1	4150.1	6.7
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**II**	**$1671.6**	**2.0%**	**$1671.6**	**2.0%**	**$1671.6**	**2.0%**	**$1671.6**	**2.0%**
		III	1683.7	2.9	1684.3	3.1	1679.0	1.8	1682.1	2.5
		IV	1695.5	2.8	1693.7	2.3	1692.0	3.1	1698.7	4.0
	1986	I	1709.5	3.3	1704.0	2.5	1704.0	2.9	1711.3	3.0
		II	1724.5	3.6	1717.9	3.3	1719.0	3.6	1718.1	1.6
		III	1742.8	4.3	1733.3	3.6	1732.0	3.1	1726.6	2.0
		IV	1764.6	5.1	1747.8	3.4	1742.0	2.3	1736.5	2.3
	1987	I	1789.4	5.7			1752.0	2.3	1742.5	1.4
		II	1811.8	5.1			1760.0	1.8	1757.6	3.5
		III	1831.6	4.4			1767.0	1.6	1774.1	3.8
	1985	Annual	1678.6	2.4	1678.3	2.4	1676.5	2.2	1679.0	2.4
	1986	Annual	1735.4	3.4	1725.8	2.8	1724.3	2.8	1723.1	2.6
Gross National Product deflator Index, 1972 - 100										
Actual	**1985**	**II**	**230.6**	**2.7%**	**230.6**	**2.7%**	**230.6**	**2.7%**	**230.6**	**2.7%**
		III	232.4	3.0	232.6	3.4	231.5	1.5	232.4	3.1
		IV	234.3	3.4	234.7	3.8	233.5	3.5	234.5	3.6
	1986	I	236.4	3.6	236.9	3.8	235.5	3.5	237.0	4.3
		II	238.4	3.5	239.4	4.2	237.0	2.6	239.4	4.2
		III	240.5	3.7	242.1	4.6	239.5	4.3	242.1	4.5
		IV	242.7	3.6	244.8	4.6	242.0	4.2	244.9	4.7
	1987	I	245.3	4.4			244.0	3.4	247.9	5.0
		II	247.8	4.1			246.5	4.2	250.6	4.5
		III	250.4	4.3			248.5	3.3	253.6	4.8
	1985	Annual	231.6	3.7	231.8	3.7	231.2	3.5	231.7	3.7
	1986	Annual	239.5	3.4	240.8	3.9	238.5	3.2	240.8	4.0
Unemployment Rate										
Actual	**1985**	**II**		**7.2%**		**7.2%**		**7.2%**		**7.3%**
		III		7.3		7.4		7.3		7.3
		IV		7.3		7.4		7.4		7.2
	1986	I		7.4		7.5		7.4		7.2
		II		7.3		7.4		7.4		7.1
		III		7.2		7.3		7.3		7.1
		IV		7.1		7.2		7.5		7.2
	1987	I		6.9				7.5		6.8
		II		6.8				7.4		6.9
		III		6.6				7.4		
	1985	Annual		7.3		7.4		7.3		7.3
	1986	Annual		7.3		7.4		7.4		7.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on revised second quarter data.

ECONOMIC FORECASTS (continued)

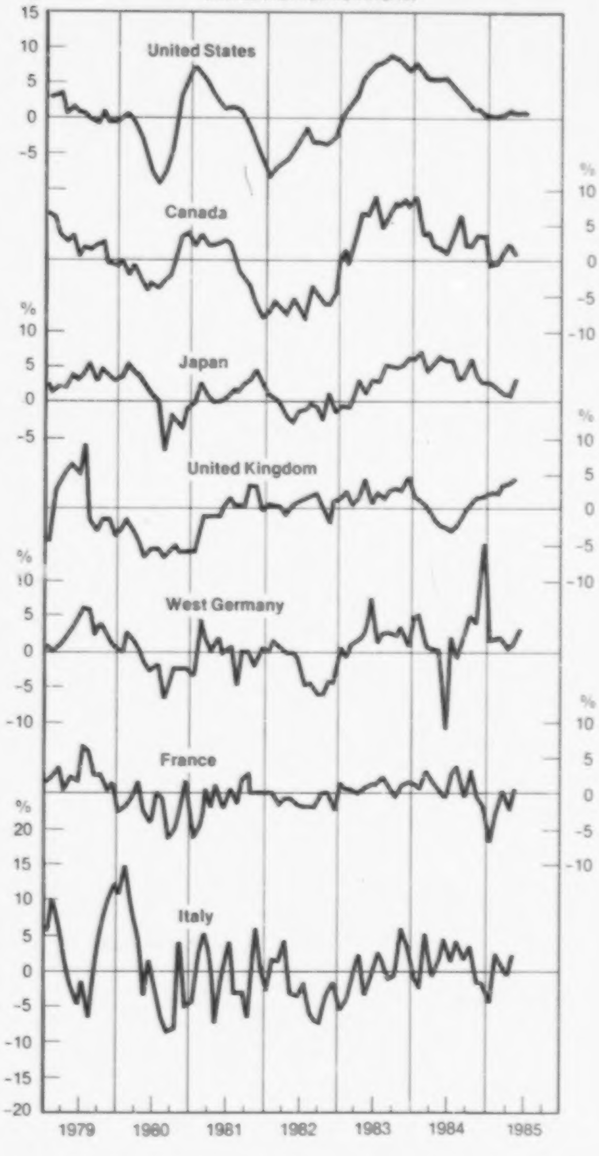
The Conference Board¹		Chase Econometric³ Associates, Inc.		Data Resources Inc.³		Wharton E.F.A. Inc.³				
July, 1985		*August, 1985*		*August, 1985*		*August, 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3855.1	**4.8%**	**$3855.1**	**4.8%**	**$3855.1**	**4.8%**	**II**	**1985**	**Actual**
$3915.0	6.5%	3911.3	6.0	3909.1	5.7	3917.7	6.7	III		
3968.0	5.5	3969.9	6.1	3965.7	5.9	3991.9	7.8	IV		
4033.0	6.7	4042.7	7.5	4018.7	5.5	4059.7	7.0	I	1986	
4101.0	6.8	4111.7	7.0	4064.8	4.7	4122.3	6.3	II		
4190.0	9.0	4173.1	6.1	4121.4	5.7	4191.9	6.9	III		
4273.0	8.2	4229.9	5.6	4190.7	6.9	4273.8	8.0	IV		
		4324.0	9.2	4285.1	9.3	4365.8	8.9	I	1987	
		4417.8	9.0	4375.1	8.7	4450.9	8.0	II		
		4520.2	9.6	4464.6	8.4	4532.1	7.5	III		
3886.8	6.1	3886.7	6.1	3885.1	6.1	3893.8	6.3	Annual	1985	
4149.3	6.8	4139.4	6.5	4098.9	5.5	4161.9	6.9	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
		$1671.6	**2.0%**	**$1671.6**	**2.0%**	**$1671.6**	**2.0%**	**II**	**1985**	**Actual**
$1683.5	3.1%	1680.8	2.2	1682.6	2.7	1683.6	2.9	III		
1691.4	1.9	1692.7	2.9	1693.4	2.6	1700.3	4.0	IV		
1703.9	3.0	1706.2	3.2	1701.4	1.9	1709.8	2.3	I	1986	
1716.5	3.0	1718.2	2.8	1706.8	1.3	1718.7	2.1	II		
1736.3	4.7	1724.6	1.5	1716.2	2.2	1729.7	2.6	III		
1751.4	3.5	1729.4	1.1	1730.1	3.3	1744.2	3.4	IV		
		1747.0	4.1	1751.2	5.0	1761.5	4.0	I	1987	
		1763.8	3.9	1769.9	4.3	1777.4	3.7	II		
		1779.9	3.7	1786.5	3.8	1790.2	2.9	III		
1677.3	2.3	1677.1	2.3	1677.8	2.3	1679.7	2.5	Annual	1985	
1727.0	3.0	1719.6	2.5	1713.6	2.1	1725.6	2.7	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
		230.6	**2.7%**	**230.6**	**2.7%**	**230.6**	**2.7%**	**II**	**1985**	**Actual**
232.6	3.3%	232.7	3.7	232.3	3.0	232.7	3.6	III		
234.6	3.6	234.5	3.2	234.2	3.2	234.8	3.7	IV		
236.7	3.6	236.9	4.2	236.2	3.5	237.4	4.6	I	1986	
238.9	3.8	239.3	4.0	238.2	3.3	239.8	4.1	II		
241.3	4.1	242.0	4.5	240.1	3.4	242.3	4.2	III		
244.0	4.5	244.6	4.4	242.2	3.5	245.0	4.5	IV	1987	
		247.5	4.9	244.7	4.1	247.8	4.7	I		
		250.5	4.9	247.2	4.1	250.4	4.2	II		
		254.0	5.7	249.9	4.5	253.2	4.5	III		
231.7	3.7	231.7	3.7	231.6	3.6	231.8	3.8	Annual	1985	
240.2	3.7	240.7	3.8	239.2	3.3	241.2	4.0	Annual	1986	
								Unemployment Rate		
	7.2%		**7.2%**		**7.3%**		**7.3%**	**II**	**1985**	**Actual**
	7.3		7.2		7.3		7.2	III		
	7.3		7.3		7.4		7.2	IV		
	7.4		7.5		7.4		7.3	I	1986	
	7.4		7.4		7.5		7.4	II		
	7.1		7.4		7.7		7.4	III		
	7.1		7.4		7.7		7.5	IV		
			7.4		7.7		7.4	I	1987	
			7.3		7.6		7.2	II		
			7.1		7.5		7.2	III		
	7.4		7.3		7.3		7.3	Annual	1985	
	7.3		7.4		7.6		7.4	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

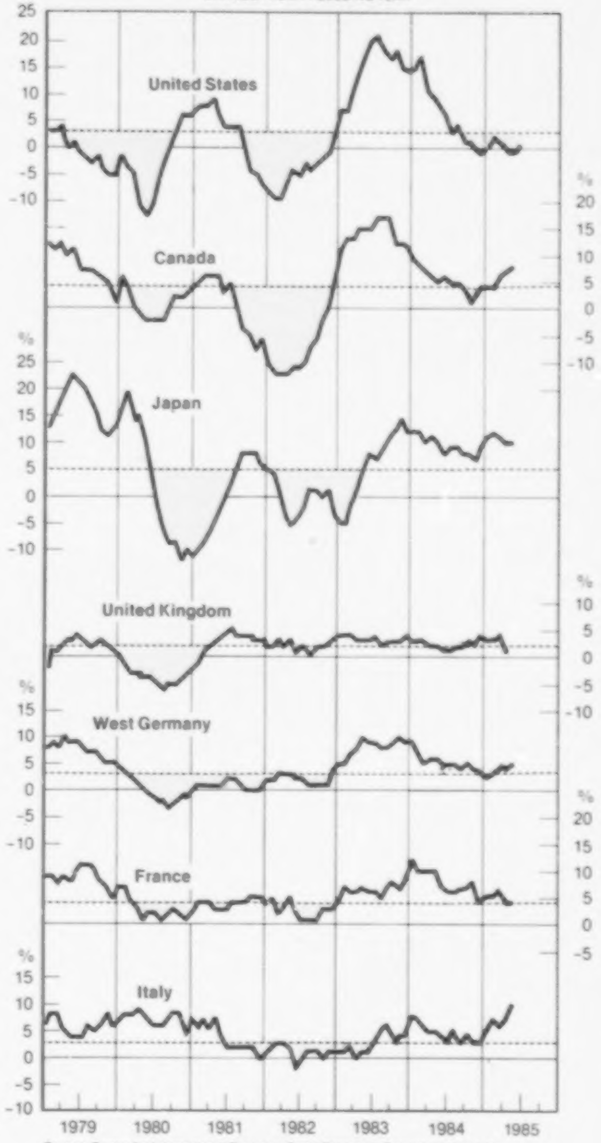
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



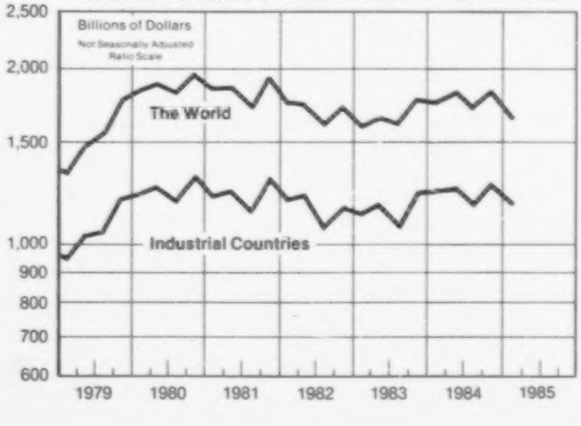
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

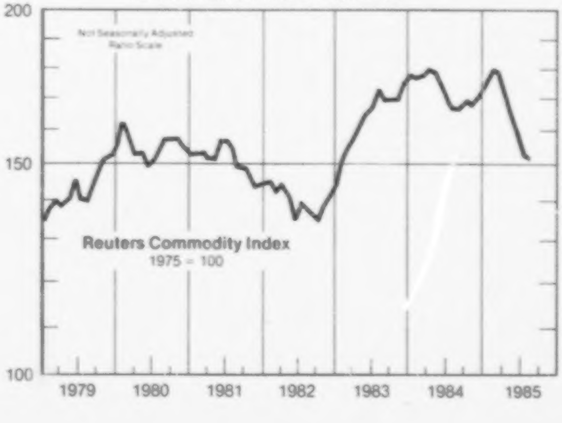


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

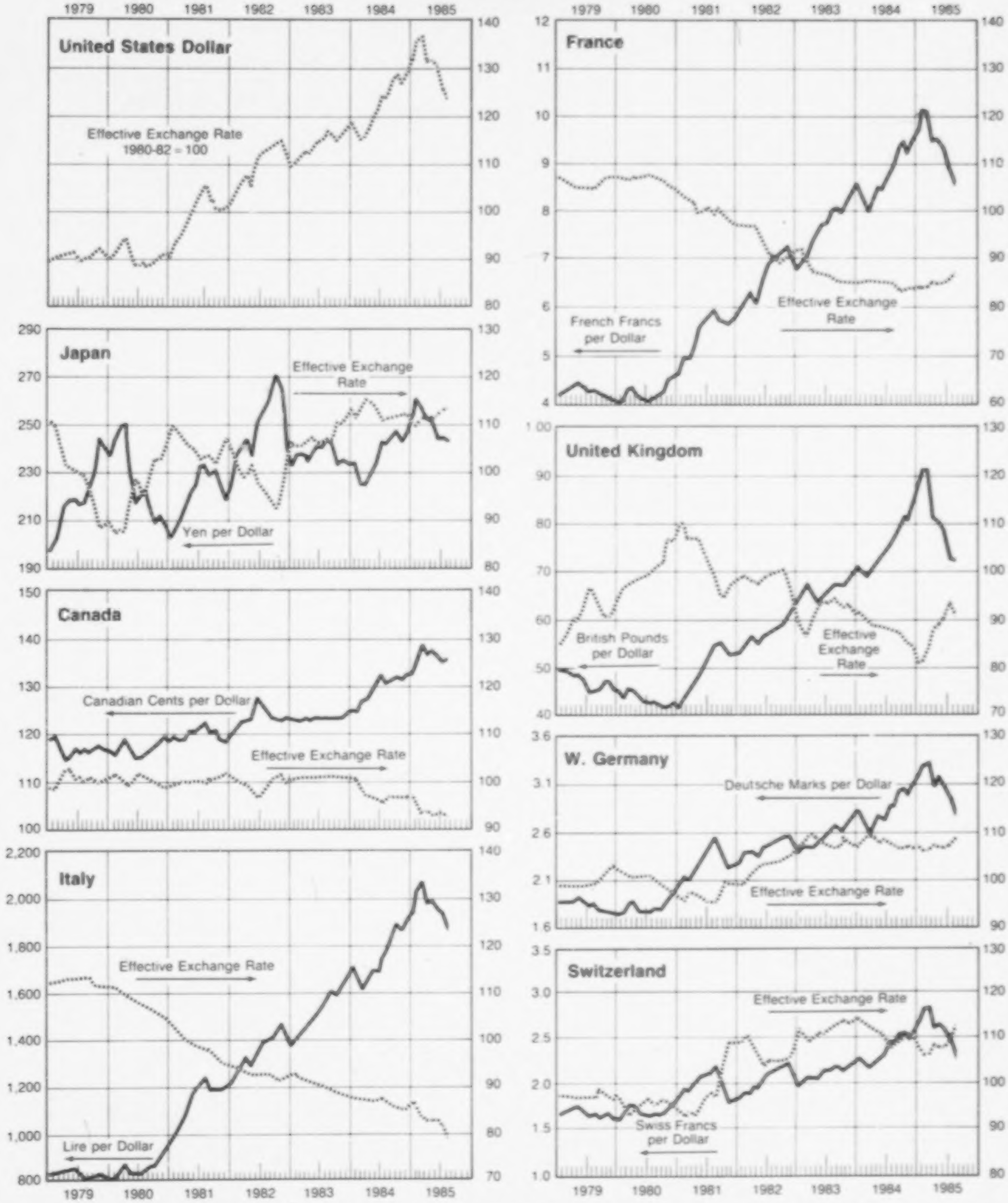


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

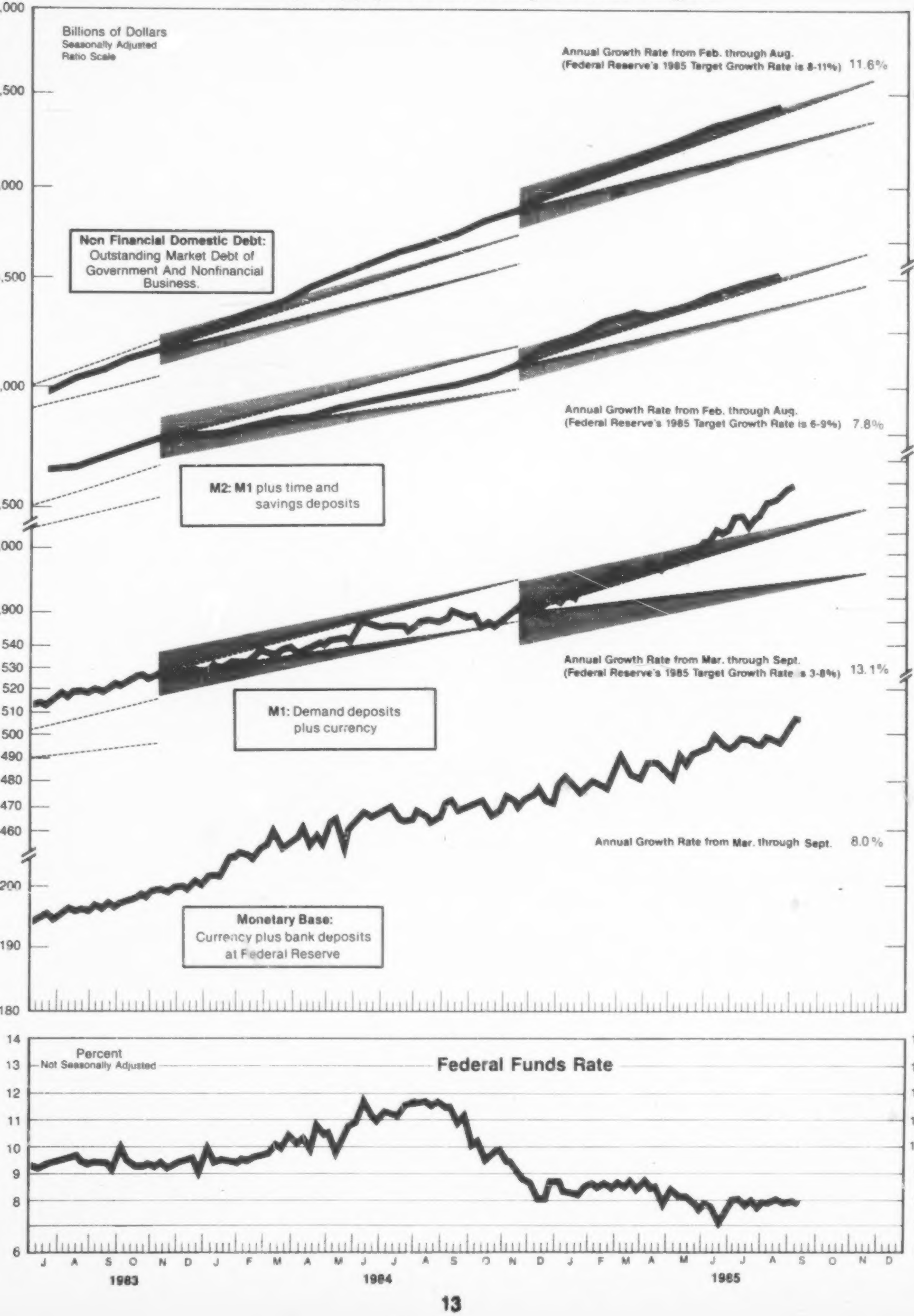
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	$ 779.8	$ 790.0	$ 850.1	$ 858.0	$ 937.0	$ 939.0
Outlays	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Deficit	-177.8	-175.0	-139.3	-163.0	- 99.8	-143.0
Receipts by source	779.8	790.0	850.1	858.0	937.0	939.0
Individual income taxes	356.2	362.5	389.8	395.0	429.8	434.0
Social security	287.2	285.3	309.5	305.0	343.8	338.0
Corporate income taxes	68.0	72.5	81.2	87.0	94.4	96.0
Other receipts	68.4	69.7	69.6	71.0	69.0	71.0
Outlays by function	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Social security and medicare	268.4	270.0	287.0	290.4	308.3	312.9
National defense	267.1	267.1	285.2	285.2	303.9	304.0
Income security	115.2	121.1	119.4	124.2	124.1	130.6
Health	34.6	34.9	35.7	37.8	37.1	40.7
Education and manpower	30.4	30.8	28.4	31.3	28.2	32.1
Transportation	26.1	25.8	25.6	27.7	24.7	28.1
Veterans' benefits	26.6	26.8	26.8	27.3	27.7	27.7
International affairs	21.3	18.9	19.1	17.3	18.0	16.4
Agriculture	16.4	16.2	10.6	16.2	9.5	13.7
Natural resources	12.4	13.0	11.6	12.8	11.5	13.0
General science	9.4	8.9	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.7	7.0	6.7	7.2
Community development	7.4	8.0	6.5	7.3	5.9	6.8
General government	5.0	5.5	5.0	5.2	5.1	5.5
Commerce, housing credit	2.8	3.7	- 1.0	3.4	- 1.6	5.2
Energy	3.8	5.6	3.1	5.2	1.8	4.5
Revenue sharing	2.9	6.5	1.7	3.2	1.8	2.1
Interest	138.1	137.0	147.0	149.0	151.8	165.0
Allowances	0.0	- 1.7	0.8	- 1.7	1.9	- 0.5
Offsetting receipts	-36.9	-39.9	-39.0	-37.1	-39.2	-41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	$4,236.7	$4,217.0	$4,589.4	$4,548.0	$4,959.3	$4,905.0
Constant (1972) Dollar	1,754.6	1,743.0	1,824.8	1,802.0	1,897.6	1,865.0
Percent change in						
Current dollar	8.5%	8.0%	8.3%	7.8%	8.1%	7.9%
Constant (1972) dollar	4.2	3.6	4.0	3.4	4.0	3.5
Implicit price deflator	4.1	4.2	4.2	4.3	3.9	4.2
Consumer price index	4.2	4.5	4.2	4.4	3.9	4.2
91-Day T bill rate	7.5	7.4	7.0	7.2	5.9	7.2
Unemployment rate	6.8	7.0	6.6	6.8	6.3	6.6

Money Supply and Monetary Growth Targets



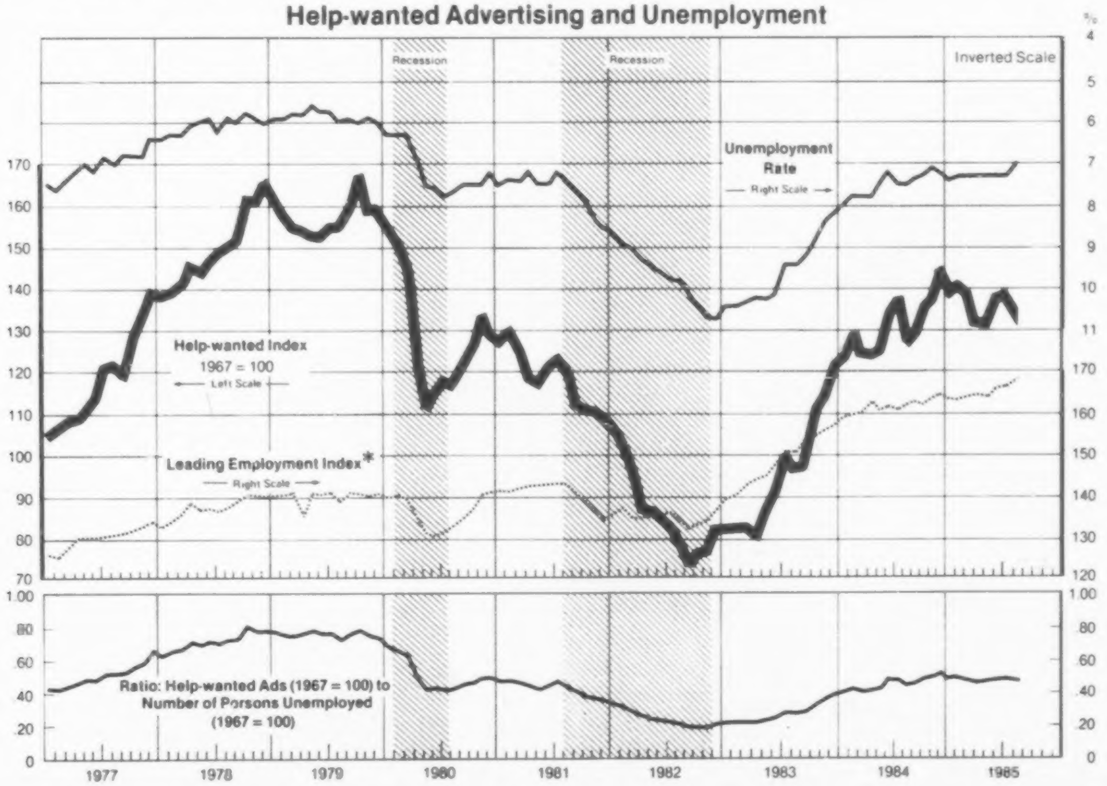
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 July	1985 June	1985 May	1984 July
National Index	139	138	131	138
New England	159	153	145	155
Boston	167	166	160	171
Hartford	180	138	132	151
Providence	116	124	102	106
Middle Atlantic	72	69	63	68
Albany	176	176	155	140
Allentown	241	176	144	202
New York	54	54	53	56
Philadelphia	64	61	52	64
Pittsburgh	75	72	64	63
Rochester	88	86	78	76
Syracuse	127	112	104	113
East North Central	89	90	85	85
Chicago	101	99	96	105
Cincinnati	NA	147	124	116
Cleveland	63	61	56	63
Columbus	131	134	121	111
Dayton	81	91	79	67
Detroit	64	64	63	55
Gary	120	113	110	99
Indianapolis	89	90	88	84
Milwaukee	59	57	49	57
Toledo	112	112	108	86
West North Central	93	94	82	84
Kansas City	164	145	111	114
Minneapolis	71	75	73	76
Omaha	112	124	114	124
St. Louis	67	73	64	62
South Atlantic	165	172	162	158
Atlanta	285	303	276	293
Baltimore	126	127	141	93
Charlotte	140	143	130	144
Jacksonville	210	216	210	198
Miami	72	79	70	82
Richmond	122	105	120	108
Washington, D.C.	167	178	158	160
East South Central	154	149r	137	136
Birmingham	156	166	141	142
Knoxville	194	194	204	190
Louisville	95	98	89	77
Memphis	110	112r	109	111
Nashville	250	208	181	200
West South Central	247	253	236	299
Dallas	340	343	322	422
Houston	299	303	284	369
New Orleans	111	114	103	141
Oklahoma City	145	155	142	174
San Antonio	206	219	213	208
Tulsa	153	168	146	167
Mountain	330	326	315	319
Denver	223	207	194	224
Phoenix	461	484	475	415
Salt Lake City	353	334	326	367
Pacific	198	191	189	192
Los Angeles	144	140	136	153
Sacramento	383	350	355	313
San Bernadino	216	195	173	188
San Diego	431	431	422	391
San Francisco	203	193	199	194
Seattle	182	182	179	172
Percentage of papers with rising volume	39	90	43	61
Unemployment rate	7.3	7 3	7.3	7.5

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2	91.5	92.1r	89.9p				
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8	107.6	97.7r	102.4p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

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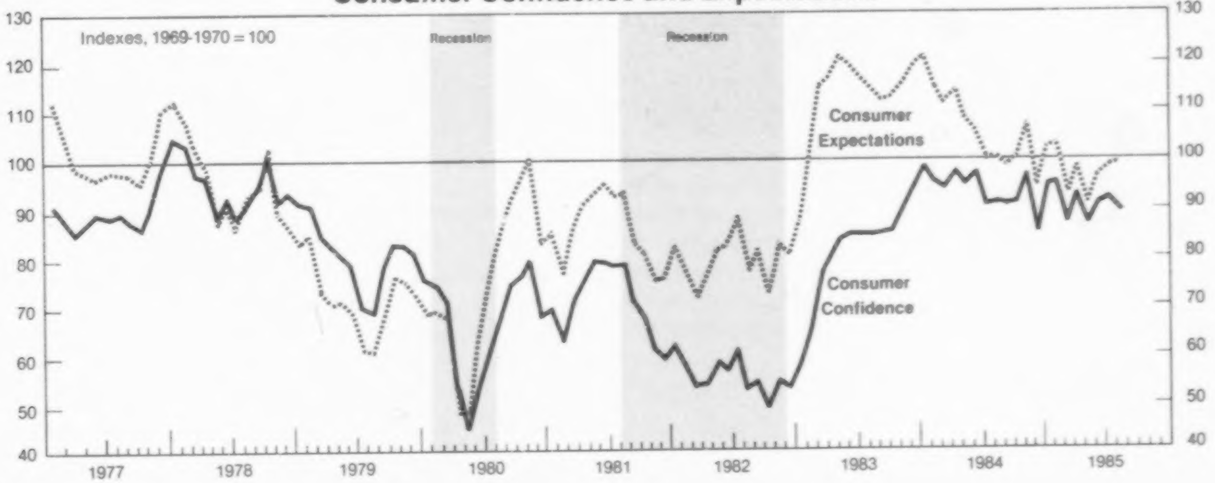
Consumer Confidence and Expectations



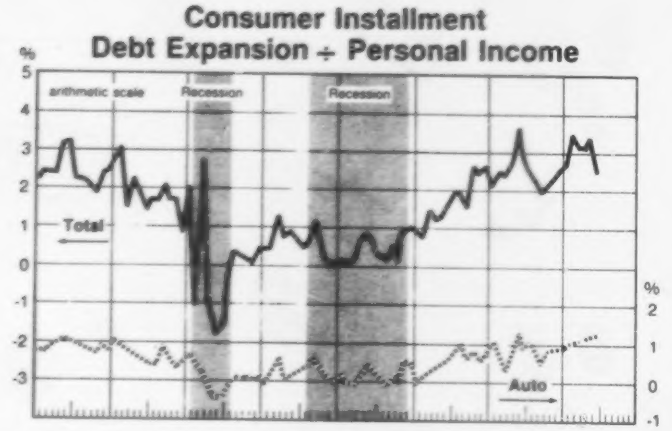
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

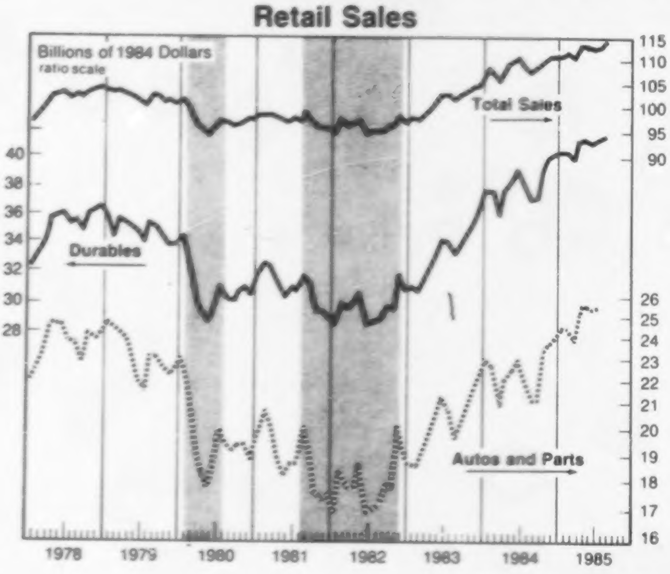
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised





CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August:	1-10	5.27	7.39	7.33	6.59
	11-20	5.00	6.11	8.07	7.69
	21-31	5.72	6.65	7.43	12.69
September:	1-10	5.16	6.26	8.13	12.75
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	6.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.